



AB KLAIPĖDOS NAFTA

**INTERIM CONDENSED FINANCIAL STATEMENTS,
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(UNAUDITED)**



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STATEMENT OF FINANCIAL POSITION

| | Notes | 30-09-2019 <i>(unaudited)</i> | 31-12-2018 <i>(audited)</i> |
|---|-------|----------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | 575 | 726 |
| Property, plant and equipment | 3 | 208,920 | 199,211 |
| Right of use the assets | 3, 4 | 247,111 | - |
| Long-term receivables and accrued rent income | 6 | 1,675 | 2,684 |
| Investment in subsidiaries | | 863 | 203 |
| Investment in associates | | 168 | 201 |
| Deferred income tax asset | | 1,159 | - |
| Total non-current assets | | 460,471 | 203,025 |
| Current assets | | | |
| Inventories | 7 | 1,313 | 1,747 |
| Prepayments | | 517 | 534 |
| Trade receivables | 8 | 12,662 | 12,452 |
| Contract assets | 9 | 746 | 374 |
| Prepaid income tax | | 1,080 | 1,671 |
| Other receivables | 10 | 47 | 86 |
| Other financial assets | 6 | 22,094 | - |
| Cash and cash equivalents | 11 | 39,118 | 73,238 |
| Total current assets | | 77,577 | 90,102 |
| Total assets | | 538,048 | 293,127 |

(cont'd on the next page)

Explanatory notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONT'D)

| | Notes | 30-09-2019 <i>(unaudited)</i> | 31-12-2018 <i>(audited)</i> |
|--|-------|----------------------------------|--------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 1 | 110,476 | 110,376 |
| Share premium | | 3,913 | 3,913 |
| Own shares | | (267) | - |
| Legal reserve | | 11,038 | 10,750 |
| Reserve for own shares | | 15,929 | 15,929 |
| Other reserves | | 42,057 | 42,945 |
| Retained earnings | | (2,340) | 11,577 |
| Total equity | | 180,806 | 195,490 |
| Non-current amounts payable and liabilities | | | |
| Deferred income tax liability | | - | 623 |
| Non-current employee benefits | | 195 | 271 |
| Loans | 12 | 71,302 | 73,474 |
| Financial lease liabilities | 4 | 213,372 | - |
| Grants related to assets | 13 | 5,748 | 4,287 |
| Total non-current amounts payable and liabilities | | 290,617 | 78,655 |
| Current amounts payable and liabilities | | | |
| Current employee benefits | | 29 | 30 |
| Loans | 12 | 3,387 | 2,649 |
| Loan interests | 12 | 26 | 29 |
| Financial lease liabilities | 4 | 45,250 | - |
| Grants related to assets | 13 | 381 | 355 |
| Trade payables | 14 | 9,223 | 9,374 |
| Payroll related liabilities | 15 | 2,444 | 1,996 |
| Contract liabilities | | 3,153 | 3,374 |
| Other payables and current liabilities | 16 | 2,732 | 1,175 |
| Total current amounts payable and liabilities | | 66,625 | 18,982 |
| Total equity and liabilities | | 538,048 | 293,127 |

Explanatory notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the nine months period ended 30 September 2019 <i>(unaudited)</i> | For the three months period ended 30 September 2019 <i>(unaudited)</i> | For the nine months period ended 30 September 2018 <i>(unaudited)</i> | For the three months period ended 30 September 2018 <i>(unaudited)</i> |
|--|-------|--|---|--|---|
| Revenue from contracts with customers | 17 | 77,240 | 25,996 | - | - |
| Sales | 17 | - | - | 75,756 | 23,017 |
| Cost of sales | 18 | <u>(62,894)</u> | <u>(20,333)</u> | <u>(60,495)</u> | <u>(20,443)</u> |
| Gross profit | | 14,346 | 5,663 | 15,261 | 2,574 |
| Operating expenses | | (5,402) | (1,926) | (4,178) | (1,494) |
| Other income | | 16 | 11 | 260 | 1 |
| Profit from operating activities | | 8,960 | 3,748 | 11,343 | 1,081 |
| Income from financial activities | 19 | 85 | 34 | 167 | 6 |
| Loss from financial activities | 19 | <u>(13,153)</u> | <u>(10,190)</u> | <u>(210)</u> | <u>(6)</u> |
| Profit before income tax | | (4,108) | (6,408) | 11,300 | 1,081 |
| Income tax income (expense) | | 1,768 | 1,526 | 60 | 69 |
| Net profit | | (2,340) | (4,882) | 11,360 | 1,150 |
| Other comprehensive income (expenses) | | - | - | - | - |
| Items that will not be subsequently reclassified to profit or loss | | - | - | - | - |
| Items that may be subsequently reclassified to profit or loss | | - | - | - | - |
| Total comprehensive income | | (2,340) | (4,882) | 11,360 | 1,150 |
| Basic and diluted earnings (losses) per share, in EUR | 20 | (0.006) | (0.013) | 0.030 | 0.003 |

Explanatory notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

| Notes | Share capital | Share premium | Own shares (-) | Legal reserve | Reserve for own shares | Other reserves | Retained earnings | Total |
|--|----------------|---------------|----------------|---------------|------------------------|----------------|-------------------|----------------|
| Balance as at 31 December 2017 (audited) | 110,376 | 3,913 | - | 9,899 | 15,929 | 43,196 | 17,031 | 200,344 |
| Net profit for the nine months | - | - | - | - | - | - | 11,360 | 11,360 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | 11,360 | 11,360 |
| Dividends declared | - | - | - | - | - | - | (17,031) | (17,031) |
| Transfers between reserves | - | - | - | 851 | - | (851) | - | - |
| Balance as at 30 September 2018 (unaudited) | 110,376 | 3,913 | - | 10,750 | 15,929 | 42,345 | 11,360 | 194,673 |
| Balance as at 31 December 2018 (audited) | 110,376 | 3,913 | - | 10,750 | 15,929 | 42,945 | 11,577 | 195,490 |
| Net profit for the nine months | - | - | - | - | - | - | (2,340) | (2,340) |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | (2,340) | (2,340) |
| Dividends declared | - | - | - | - | - | - | (11,577) | (11,577) |
| Acquisition of own shares (-) | 100 | - | - | - | - | - | - | 100 |
| Increase in share capital | - | - | (600) | - | - | - | - | (600) |
| Share-based payments | - | - | 333 | - | - | - | - | 333 |
| Transfer between reserves | - | - | - | 288 | - | (288) | - | - |
| Used reserves | - | - | - | - | - | (600) | - | (600) |
| Balance as at 30 September 2019 (unaudited) | 110,476 | 3,913 | (267) | 11,038 | 15,929 | 42,057 | (2,340) | 180,806 |

Explanatory notes are an integral part of these financial statements.

CASH FLOW STATEMENT

| | Notes | For the nine months period ended 30 September 2019 <i>(unaudited)</i> | For the nine months period ended 30 September 2018 <i>(unaudited)</i> |
|--|-------|--|--|
| Cash flows from operating activities | | | |
| Net profit | | (2,340) | 11,360 |
| Adjustments for noncash items: | | | |
| Depreciation and amortization | 3, 13 | 42,912 | 10,964 |
| Impairment and write-off (reversal) of non-current tangible assets | | (1) | (20) |
| Profit (loss) from write-off and sales of non-current assets | | (9) | (239) |
| Change in impairment of investment in subsidiary | | 150 | - |
| Change in vacation reserve | 15 | (145) | (89) |
| Change in non-current liabilities for employees | | (78) | 56 |
| Reversal of share based payment expenses | | (600) | - |
| Change in allowance in inventory | 7 | 367 | 23 |
| Other non-cash adjustments | | 1,548 | (219) |
| Contract assets | | (372) | - |
| Accrued income | 6 | 414 | 241 |
| Income tax expenses | | (1,768) | (60) |
| Change in allowance for doubtful trade and other receivables | 8 | 175 | (251) |
| Interest income | 19 | (52) | (40) |
| Interest expenses | 19 | 1,763 | 155 |
| | | 41,964 | 21,881 |
| Changes in working capital | | | |
| (Increase) decrease in inventories | 7 | 49 | (866) |
| Decrease (increase) in prepayments made | | 11 | (203) |
| Decrease (increase) in trade and other accounts receivable | 8 | (385) | (169) |
| Decrease (increase) in other accounts receivable | 10 | (461) | 123 |
| Increase (decrease) in trade and other payables | | 292 | (939) |
| (Decrease) increase in prepayments received | | - | 206 |
| Increase (decrease) in contract liabilities | | (222) | - |
| Increase (decrease) in other current liabilities and payroll related liabilities | | 1,462 | 150 |
| | | 42,710 | 20,183 |
| Income tax (paid) | | (731) | (943) |
| Interest received | 19 | 52 | 40 |
| Net cash flows from (used in) operating activities | | 42,031 | 19,280 |
| Cash flows from investing activities | | | |
| (Acquisition) of property, plant, equipment and intangible assets | | (19,353) | (10,741) |
| Proceeds on sale of property, plant and equipment | | 9 | 250 |
| Short term deposits (placed)/received | | (21,000) | 65,000 |
| (Acquisition) of other investments | | (813) | - |
| Received grants, subsidies | 13 | 1,760 | 907 |
| Dividends received | | 36 | 54 |
| Net cash flows from investing activities | | (39,361) | 55,470 |

CASH FLOWS STATEMENT (CONT'D)

| | Notes | For the nine months period ended 30 September 2019 <i>(unaudited)</i> | For the nine months period ended 30 September 2018 <i>(unaudited)</i> |
|--|-------|--|--|
| Cash flows from financing activities | | | |
| (Acquisition) of own shares | 1 | (600) | - |
| Loans received (paid) | 12 | (1,447) | - |
| Financial lease liabilities (paid) | 4 | (34,416) | - |
| Currency impact from financial lease liabilities | 4 | 11,372 | - |
| Dividends paid | | (11,577) | (17,031) |
| Interest and fee related to loans (paid) | 19 | 122 | (120) |
| Net cash flows from (used in) financing activities | | (36,790) | (17,151) |
| Net increase (decrease) in cash flows | | 34,120 | 57,599 |
| Cash and cash equivalents on 1 January | 11 | 73,238 | 16,747 |
| Cash and cash equivalents on 30 September | 11 | 39,118 | 74,346 |

Explanatory notes are an integral part of these financial statements,

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AB Klaipėdos nafta (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 92276 Klaipėda, Lithuania.

The main activities of the Company include operation of oil terminal, oil products transshipment services and other related services, as well as operation of the liquefied natural gas terminal (hereinafter referred to as “LNGT”) primarily dedicated to receive and store liquefied natural gas, regasify it and supply it to Gas Grid.

National Commission for Energy Control and Prices (hereinafter referred to as “NCC”) issued Natural Gas Regasification License to the Company on 27 November 2014.

The Company was established by AB Naftos Terminalas (Lithuania) and Lancaster Steel Inc, (USA) acquiring 51 and 49 percent of shares respectively, The Company was registered on 27 September 1994.

As of 30 September 2019 all the shares were owned by 2,614 shareholders (as of 30 September 2018 all the shares were owned by 2,172 shareholders).

On 29 March 2019 amended Articles of Association of the Company had been registered in the Register of Legal Entities of the Republic of Lithuania after the increase of authorized capital of the Company. Following the increase of the authorized capital of the Company, such capital is equal to EUR 110,476,193.97 is divided into 380,952,393 units of shares, which grant 380,952,393 votes. Nominal value per share – EUR 0.29. 72.34% of the shares (275,587,444 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

On 30 September 2018 the Company's share capital amounting to EUR 110,375,793.36 is fully paid. It is divided into 380,606,184 ordinary shares with a par value of twenty EUR 0.29. 72.32% of the shares (275,241,290 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

In January 2019 the Company acquired 1,463,414 units of own shares. Total price of the transaction amounts to EUR 599,999.74. The purpose of shares' acquisition is the provision of shares to the Company's employees. In May 2019 the Company paid out part of annual bonuses to employees in Company's shares - 807,606 units of shares have been granted to the employees of the Company. During nine months of 2018 the Company has not acquired any own shares.

The Company's shares are listed in the Baltic Main List on the NASDAQ Vilnius Stock Exchange (ISIN code LT0000111650, abbreviation KNF1L).

As of 30 September 2019 and 30 September 2018 the shareholders of the Company were:

| | 30 September 2019 | | 30 September 2018 | |
|---|----------------------------------|-----------------------|----------------------------------|-----------------------|
| | Number of shares held (thousand) | Part of ownership (%) | Number of shares held (thousand) | Part of ownership (%) |
| State of Lithuania represented by the Ministry of Energy (Gediminas av, 38/2, Vilnius, 302308327) | 275,587 | 72.34 | 275,241 | 72.32 |
| Concern UAB Achemos grupė (Jonalaukis village, Jonava district, 156673480) | 39,650 | 10.41 | 39,556 | 10.39 |
| Other (less than 5 per cent each) | 65,715 | 17.25 | 65,809 | 17.29 |
| Total | 380,952 | 100.00 | 380,606 | 100.00 |

The average number of employees on 30 September 2019 was 371 (390 – on 30 September 2018).

2 ACCOUNTING PRINCIPLES

The financial statements are presented in Euro and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

2 ACCOUNTING PRINCIPLES (CONT'D)

The Company applies the same accounting policies and the same calculation methods in preparing Interim Financial Statements as they have been used for the Annual Financial Statements of the year 2018. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2018.

These financial statements have been prepared on a historical cost basis.

The financial year of the Company coincides with the calendar year.

The numbers in tables may not coincide due to rounding of particular amounts to EUR thousand, such rounding errors are not material in these financial statements.

3 NON-CURRENT TANGIBLE ASSETS

During the nine months of 2019 the Company continued works in the following projects:

- The second stage investment in the expansion of the light oil products storage tank park. The project started in July 2017. As of 30 September 2019 the value of construction in progress amounted to EUR 29.609 thousand. During the nine months of the year 2019 investment amounted to EUR 17,065 thousand).
- Development of the railroad tracks (comprise of the acquired equipment). As of 30 September 2019, the value of construction in progress amounted to EUR 1,794 thousand. (During the nine months of the year 2019 investment amounted to EUR 158 thousand).
- Reconstruction of Klaipėda state seaport quay No. 1 and No. 2. As of 30 September 2019, the value of construction in progress amounted to EUR 926 thousand. (During the nine months of the year 2019 investment amounted to EUR 876 thousand).
- Other investment. As of 30 September 2019, the value of constructions in progress amounted to EUR 680 thousand (During the nine months of the year 2019 investment amounted to EUR 127 thousand).

Part of the Company's property, plant and equipment with the acquisition cost of EUR 34,787 thousand as on 30 September 2019 was completely depreciated (EUR 34,583 thousand on 31 December 2018), however, it was still in operation.

The depreciation of the Company's non-current tangible assets for the nine months of 2019 amounts to EUR 10,225 thousand (EUR 10,756 thousand – in 2018 nine months), EUR 10,041 thousand of depreciation charge has been included into cost of sales (EUR 10,607 thousand - in 2018 nine months), EUR 273 thousand was reimbursement of the costs according the grant agreement (EUR 5 thousand – in 2018 nine months) and the remaining amount EUR 184 thousand (EUR 149 thousand – in 2018 nine months) has been included into operating expenses in the Statement of comprehensive income.

During the nine months of 2019 the Company additionally calculated depreciation costs, amounting to EUR 32,930 thousand, according to IFRS 16 "Leases".

4 IFRS 16 "LEASES"

New IFRS 16 "Leases" is effective for annual periods beginning on 1 January 2019. The Company apply the new standard using the modified retrospective approach, which means that comparative figures are not restated. IFRS 16 has a significant impact on the Company's Statement of financial position and Statement of comprehensive income.

The impact on the Statement of financial position (increase / (decrease)) as of 30 September 2019:

| | 30-09-2019 |
|---------------------------------|----------------|
| Assets: | |
| Right of use the assets | 247,111 |
| Deferred income tax asset | 1,727 |
| Non-current liabilities: | |
| Financial lease liabilities | (213,372) |
| Current liabilities: | |
| Financial lease liabilities | (45,250) |
| Impact on Equity | (9,784) |

4 IFRS 16 "LEASES" (CONT'D)

The impact on the Statement of comprehensive income (increase / (decrease)) for nine months in 2019:

| | 30-09-2019 |
|---|-----------------|
| Depreciation expenses | 32,930 |
| Rent expenses | (34,416) |
| Profit from operating activities | 1,486 |
| Finance costs: | |
| Interest | (1,625) |
| (Losses) from currency exchange | (11,372) |
| Profit before income tax | (11,511) |
| Profit tax: | |
| Change in deferred income tax | 1,727 |
| Profit for the period | (9,784) |

5 OPERATING SEGMENTS

The Management of the Company has identified the following business segments:

- KNF – oil terminal in Klaipėda supplying oil products, providing transshipment and other related services;
- SGD – LNG terminal in Klaipėda, which receives and stores liquefied natural gas, regasifies it and supplies to Gas Main;
- SNT - Subačius oil terminal in Kupiškis district provides services of long-term storage of oil products and loading of auto-tankers;
- GDP – LNG related business development which includes LNG reloading station activities and development of other LNG projects.

Main indicators of the business segments of the Company included into the statement of comprehensive income for the financial year as of 30 September 2019 and Statement of financial position as of 30 September 2018, are described below:

| For the nine months period ended 30 September 2019 | SGD | SNT | GDP | KNF | Total |
|---|---------|-------|---------|---------|---------|
| Revenues from contracts with customers (Sales) | 53,150 | 1,746 | 158 | 22,186 | 77,240 |
| Profit before income tax | (6,956) | 206 | (3,432) | 6,074 | (4,108) |
| Segment net profit (loss) | (6,207) | 294 | (3,185) | 6,758 | (2,340) |
| Interest revenue | 51 | - | - | 1 | 52 |
| Loan interest expense | 114 | - | 16 | 7 | 137 |
| Interest on financial lease liabilities | 1,375 | - | 20 | 230 | 1,625 |
| Depreciation and amortisation | 3,165 | 623 | 1,602 | 5,095 | 10,485 |
| Depreciation according to IFRS 16 | 32,342 | - | 83 | 505 | 32,930 |
| Write-off and impairment of non-current tangible asset (reversal) | - | - | - | (1) | (1) |
| Acquisitions of tangible and intangible assets | 31 | 144 | 21 | 19,845 | 20,041 |
| Segment total assets* | 284,816 | 9,521 | 29,810 | 152,689 | 476,836 |
| Loan and related liabilities | 74,768 | - | (46) | (7) | 74,715 |
| Financial lease liabilities | 242,129 | - | 1,290 | 15,203 | 258,622 |
| Segment total liabilities | 334,665 | 1,440 | 7,123 | 14,014 | 357,242 |

5 OPERATING SEGMENTS (CONT'D)

| For the nine months period ended 30 September 2018 | SGD | SNT | GDP | KNF | Total |
|---|---------|--------|---------|---------|----------|
| Revenues from contracts with customers (Sales) | 48,409 | 2,023 | 383 | 24,941 | 75,756 |
| Profit before income tax | 4,092 | 572 | (1,698) | 8,334 | 11,300 |
| Segment net profit (loss) | 4,118 | 575 | (1,689) | 8,356 | 11,360 |
| Interest revenue | 39 | - | - | 1 | 40 |
| Loan interest expense | (132) | - | (16) | (7) | (155) |
| Depreciation and amortisation | (4,113) | (653) | (453) | (5,745) | (10,964) |
| Write-off and impairment of non-current tangible asset (reversal) | - | (158) | - | (21) | (179) |
| Acquisition of tangible and intangible assets | 175 | 54 | 674 | 7,011 | 7,914 |
| Segment total assets* | 57,922 | 11,669 | 30,316 | 118,418 | 218,325 |
| Loan and related liabilities | 76,467 | - | (55) | 3 | 76,415 |
| Segment total liabilities | 85,603 | 360 | 7,642 | 4,393 | 97,998 |

Segment total assets* - total assets of the Company, excluded Cash and cash equivalents and short term deposits at the period end.

6 LONG-TERM RECEIVABLES AND ACCRUED RENT INCOME

| | 30-09-2019 | 31-12-2018 |
|-----------------------|------------|------------|
| Accrued income | 1,675 | 2,090 |
| Long-term receivables | - | 594 |
| | 1,675 | 2,684 |

Long-term receivables and accrued income consist of long term rent revenue accrual arising from Subačiaus fuel storage reservoirs rent agreement and receivable from Luminor bank.

Subačiaus fuel storage reservoirs rent agreement signed with the Lithuanian petroleum products Agency in 2012 for the duration of 10 years is treated as operating leasing contract. The rent tariffs are different for the first 5 years and for the remaining period, Therefore, the rent income is recognized on a straight-line basis over the lease term, i.e. the income is calculated on average tariff of the all leasing term (10 years).

The receivable amount from Luminor bank (restricted cash) (EUR 594 thousand) is accounted for based on the Guarantee Agreement. The amount is expected to be recovered on 12 January 2020, if the Company will ensure the implementation of measures provided in the Company's waste reduction plan. As of 30 September 2019 this amount was disclosed under short-term other financial assets.

7 INVENTORIES

| | 30-09-2019 | 31-12-2018 |
|---|------------|------------|
| Diesel fuel for the LNG Terminal purpose | 447 | 651 |
| Oil products for sale | 153 | 134 |
| Liquefied natural gas | 254 | 357 |
| Fuel for transport and other equipment | 49 | 32 |
| Emission allowances | 133 | - |
| Spare parts, construction materials and other inventories | 1,707 | 1,636 |
| Total inventories | 2,743 | 2,810 |
| Write-down of spare parts, construction materials and other inventories | (1,430) | (1,063) |
| Total inventories | 1,313 | 1,747 |

As of 30 September 2019, the Company accounted for allowance of inventories in the amount of EUR 1,430 thousand (EUR 1,063 thousand on 31 December 2018), that have been written-down to the net realizable value. The Company accounts for allowance for obsolete and slow-moving inventories that did not move for over 12 months. Inventory allowance has been accounted mostly for construction materials and spare parts, which were not used during the reconstruction (1996 – 2005).

7 INVENTORIES (CONT'D)

The write-off of inventories to the net realizable value of EUR 367 thousand for the nine months ended of 30 September 2019 (reversal of write-off of inventories to the net realizable value amounts to EUR 53 thousand as of 31 December 2018) are included under operating expenses in the profit (loss).

Oil products for sale are energy products collected in the Wastewater Treatment Facilities. On 30 September 2019 the Company had 2.4 thousand tons of oil products for sale (2.4 thousand tons of oil products as of 31 December 2018).

As of 30 September 2019, the Company stored 231 thousand tons of oil products delivered for transshipment in its storage tanks (198 thousand tons as on 31 December 2018 (the quantities are unaudited). Such oil products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights into oil products. The oil products belonged to third parties are insured by the Company in order to cover the loss or damages incurred (if any).

As of 30 September 2019, the Company stored 1.4 thousand MWh (as of 31 December 2018 – 1.4 thousand MWh) (the quantities are unaudited) natural gas in the connecting pipeline for the Liquefied natural gas terminal activities. As of 30 September 2019 in the Liquefied natural gas reloading station the Company owned 12.7 thousand MWh natural gas (as of 31 December 2018 – 9.8 thousand MWh), (the quantities are unaudited).

As of 30 September 2019, the Company stored 1,049 thousand MWh (As of 31 December 2018 – 679 thousand MWh) (the quantities are unaudited) of natural gas products delivered for transshipment in the Liquefied natural gas terminal. Such natural gas products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights for these products. The Company is responsible for the insurance of the products.

As of 30 September 2019, in the Liquefied natural gas reloading station the Company stored 7.4 MWh natural gas products that, belonged to the third parties (As of 31 December 2018 – 8.5 thousand MWh) (the quantities are unaudited). Such natural gas products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights for these products.

8 TRADE RECEIVABLES

| | 30-09-2019 | 31-12-2018 |
|--|---------------|---------------|
| Receivables from LNG terminal activities | 10,461 | 9,805 |
| Receivables for transshipment of oil products and other related services | 2,886 | 3,157 |
| Less: impairment allowance | (685) | (510) |
| | <u>12,662</u> | <u>12,452</u> |

Trade and other receivables are non-interest bearing and are generally on 6 - 15 days payment terms.

On 30 September 2019 and on 31 December 2018 the Company did not have any trade debts denominated in other currency.

The Company has recognized impairment allowance in the amount of EUR 685 thousand on 30 September 2019 (EUR 510 thousand on 31 December 2018). Change in allowance for receivables has been included into operating expenses in the statement of the comprehensive income.

9 CONTRACT ASSETS

Contract assets comprise accrued income for storage of oil products as of 30 September 2019 and 31 December 2018 calculated as percentage of completion based on expenses incurred from the total estimated cost of contracted services. Upon completion of transshipment of oil products and acceptance by the customer, the amounts initially recognized as contract assets are reclassified as trade receivables.

10 OTHER RECEIVABLES

| | 30-09-2019 | 31-12-2018 |
|----------------------------|------------|------------|
| Receivable grant | 29 | 20 |
| Receivable excise tax | 9 | - |
| Receivable VAT | 6 | - |
| Real estate tax receivable | - | 35 |
| Other receivables | 3 | 31 |
| | <u>47</u> | <u>86</u> |

11 CASH AND CASH EQUIVALENTS

| | 30-09-2019 | 31-12-2018 |
|--------------|---------------|---------------|
| Cash at bank | <u>39,118</u> | <u>73,238</u> |

Calculated values of cash and cash equivalents are denominated in the following currencies:

| Currency | 30-09-2019 | 31-12-2018 |
|----------|---------------|---------------|
| EUR | 34,033 | 68,656 |
| USD | 5,085 | 4,582 |
| | <u>39,118</u> | <u>73,238</u> |

Calculated values of cash and cash equivalents are denominated in the following currencies:

| | 30-09-2019 | 31-12-2018 |
|-------|---------------|---------------|
| A + | 922 | 1,828 |
| AA - | 29,299 | 39,616 |
| BBB + | - | 31,794 |
| BBB - | 8,897 | - |
| | <u>39,118</u> | <u>73,238</u> |

The maximum exposure of these investments to credit risk at the reporting date was represented by carrying value of the securities and term deposits, classified as investments held to maturity.

12 FINANCIAL LIABILITIES

| | 30-09-2019 | 31-12-2018 |
|---------------------------------|---------------|---------------|
| European Investment Bank's loan | 53,582 | 54,312 |
| Nordic Investment Bank's loan | 21,107 | 21,811 |
| Payable loan interest | 26 | 29 |
| | <u>74,715</u> | <u>76,152</u> |

13 GRANTS RELATED TO ASSETS

| | 30-09-2019 | 31-12-2018 |
|---|--------------|--------------|
| Balance at the beginning of the period | 4,642 | 4,006 |
| Received during the year | 1,760 | 893 |
| Amortisation | (273) | (156) |
| Compensation of costs | - | (54) |
| Written-off | - | (47) |
| Balance at the end of the period | 6,129 | 4,642 |
| Current | 381 | 355 |
| Non-current | 5,748 | 4,287 |

14 TRADE DEBTS AND OTHER PAYABLES

| | 30-09-2019 | 31-12-2018 |
|-------------------------------------|------------|------------|
| Payables for FSRU operating leasing | 4,638 | 3,727 |
| Payable to contractors | 2,775 | 2,316 |
| Other payments related FSRU | 688 | 1,390 |
| Payable for rent of land | 315 | 393 |
| Payable for railway services | 80 | 253 |
| Payable for gas services | 93 | 447 |
| Other trade payables | 634 | 848 |
| Total | 9,223 | 9,374 |

On 30 September 2019 trade payables of EUR 5,049 thousand were denominated in USD (EUR 4,202 thousand – on 31 December 2018).

15 LIABILITIES RELATED TO LABOUR RELATIONS

| | 30-09-2019 | 31-12-2018 |
|---------------------------|------------|------------|
| Accrued vacation reserve | 904 | 1,049 |
| Accrual of annual bonuses | 835 | 603 |
| Salaries payable | 361 | 13 |
| Social insurance payable | 188 | 329 |
| Income tax payable | 153 | 1 |
| Other deductions | 3 | 1 |
| Total | 2,444 | 1,996 |

16 OTHER CURRENT LIABILITIES

| | 30-09-2019 | 31-12-2018 |
|--|------------|------------|
| Accrued tax expenses and liabilities | 870 | 385 |
| Subsidies payable | 751 | - |
| Accrued expenses and liabilities | 696 | 526 |
| Contribution for National Energy Regulatory Council (VERT) | 220 | - |
| Shareholders related liabilities | 80 | 180 |
| Other liabilities | 115 | 84 |
| Total | 2,732 | 1,175 |

Other liabilities are non-interest bearing and have an average term of one month.

17 REVENUE FROM CONTRACTS WITH CUSTOMERS (SALES)

| | For the nine months period ended 30 September 2019 | For the nine months period ended 30 September 2018 |
|---|---|--|
| Income from LNGT services regulated by NCC | 50,964 | 47,440 |
| Sales of oil transshipment services | 22,455 | 26,027 |
| Other sales related to LNG terminals activity | 2,319 | 1,070 |
| Other sales related to transshipment | 1,243 | 869 |
| Income from sold inventory | 243 | - |
| Sales of consulting services | 16 | 350 |
| Total | <u>77,240</u> | <u>75,756</u> |

18 COST OF SALES

| | For the nine months period ended 30 September 2019 | For the nine months period ended 30 September 2018 |
|--|---|---|
| Depreciation and amortisation* | 42,665 | 10,710 |
| Expenses related to FSRU rent (OPEX element, management fee, crew costs) | 6,328 | 3,940 |
| Wages, salaries and social security | 5,391 | 5,523 |
| Natural gas | 1,981 | 2,172 |
| Railway services | 1,410 | 1,565 |
| Port charges | 1,147 | 1,147 |
| Electricity | 963 | 1,067 |
| Tax on environmental pollution | 837 | 194 |
| Repair and maintenance of assets | 414 | 392 |
| Insurance | 325 | 441 |
| Tax on real estate | 312 | 253 |
| Contribution for National Energy Regulatory Council (VERT) | 220 | - |
| Transport | 208 | 214 |
| Services for tankers | 161 | 147 |
| Other FSRU related expenses | 144 | 61 |
| Cleaning expenses | 104 | 105 |
| Work safety costs | 78 | 79 |
| Research expenses | 57 | 38 |
| FSRU rent expenses | - | 31,544 |
| Rent of land and quays | - | 593 |
| Rent of facilities | - | 56 |
| Other | 149 | 254 |
| | <u>62,894</u> | <u>60,495</u> |

* Depreciation and amortisation expenses for nine months of 2019 include depreciation amounting to EUR 32,683 thousand according to IFRS 16 "Leases".

19 INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES – NET

| | For the nine months period ended 30 September 2019 | For the nine months period ended 30 September 2018 |
|--|---|---|
| Interest income | 52 | 40 |
| Fines and penalties income | 33 | 127 |
| Financial income, total | <u>85</u> | <u>167</u> |
| (Losses) from currency exchange according to IFRS 16 | (11,372) | - |
| Interest on the financial lease liabilities | (1,625) | - |
| Loan interest expenses | (137) | (155) |
| (Losses) from currency exchange | (14) | (54) |
| Fines and penalties expenses | (4) | - |
| Other financial activity expenses | (1) | (1) |
| Financial activity expenses, total | <u>(13,153)</u> | <u>(210)</u> |

20 EARNINGS PER SHARE, BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit of the Company by the number of the shares available, Diluted earnings per share equal to basic earnings per share as the Company has no instruments issued that could dilute shares issued.

Basic and diluted earnings per share are as follows:

| | For the nine months period ended 30 September 2019 | For the nine months period ended 30 September 2018 |
|---|---|---|
| Net profit attributable to shareholders | (2,340) | 11,360 |
| Weighted average number of ordinary shares (thousand) | <u>380,842</u> | <u>380,606</u> |
| Earnings and reduced earnings (in EUR) | <u>(0.006)</u> | <u>0.030</u> |

21 RELATED PARTY TRANSACTIONS

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them during the nine months of 2019 and 2018 were as follows:

21 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with Lithuanian State controlled enterprises and institutions

| | | Purchases | Sales | Receivables | Payables |
|--|------------------|-----------|--------|-------------|----------|
| VĮ Klaipėdos valstybinio Jūrų uosto direkcija | 2019 nine months | 1,743 | - | - | 315 |
| | 2018 nine months | 1,740 | 4 | - | 314 |
| AB Lietuvos geležinkeliai | 2019 nine months | 1,004 | - | - | - |
| | 2018 nine months | 1,688 | - | - | 82 |
| VĮ Lietuvos naftos produktų agentūra (<i>liquidated from 01-01-2019</i>) | 2019 nine months | - | - | 111 | - |
| | 2018 nine months | - | 2,096 | 1,188 | - |
| AB Amber Grid | 2019 nine months | - | 50,964 | 10,036 | - |
| | 2018 nine months | - | 47,440 | 9,397 | - |
| Viešoji įstaiga Lietuvos energetikos agentūra | 2019 nine months | - | 2,093 | 284 | - |
| | 2018 nine months | - | - | - | - |
| UAB LITGAS | 2019 nine months | - | - | - | - |
| | 2018 nine months | - | 316 | 80 | - |
| UAB „Lietuvos energijos tiekimas“ | 2019 nine months | 1,897 | 1,206 | 104 | 93 |
| | 2018 nine months | 1,249 | 334 | 216 | 78 |
| AB Energijos skirstymo operatorius | 2019 nine months | 379 | - | - | 39 |
| | 2018 nine months | 436 | - | - | 41 |
| LG Cargo, AB | 2019 nine months | 797 | - | - | 80 |
| | 2018 nine months | - | - | - | - |
| UAB Energijos tiekimas | 2019 nine months | - | - | - | - |
| | 2018 nine months | 632 | - | - | 67 |
| Other related parties | 2019 nine months | 55 | 9 | 1 | 7 |
| | 2018 nine months | 51 | 8 | 1 | 4 |
| Transactions with related parties, in total: | 2019 nine months | 5,875 | 54,272 | 10,536 | 534 |
| | 2018 nine months | 5,796 | 50,198 | 10,882 | 586 |

Remuneration to the Management and other payments

The Company's Management is comprised of Chief Executive Officer, Heads of Divisions and Functional Managers.

| | For the nine months period ended 30 September 2019 | For the nine months period ended 30 September 2018 |
|-----------------------|---|---|
| Payroll related costs | 2,207 | 2,022 |
| Number of managers | 41 | 39 |

During the nine months of the years 2019 and 2018 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

22 SUBSEQUENT EVENTS

- AB Klaipėdos nafta with BNK (UK) Limited (hereinafter - BNK), which belongs to the leading exporter of Belarusian oil products - ZAT „Belaruskaja neftenaja kompanija“, has signed an agreement on extension of a long-term contract on oil products handling. As of 2016 existing Contract has been extended until 31 December 2021 with the possibility of extension by agreement of the parties. During the term of the Contract, BNK undertakes to load light and dark oil products produced at Belarusian refineries through the Company's terminal.
- AB Klaipėdos nafta is currently under negotiation with UTE GNA I Geração de Energia S.A. (hereinafter – GNA), for the Operations and Maintenance Services Agreement (hereinafter – Agreement) in connection to GNA's LNG Terminal, located in Porto do Açu (state of Rio de Janeiro), one of the main port complexes in Brazil, which offers a series of logistics solutions for the Brazilian oil and gas market.

Under such Agreement KN may commit to incorporate a company in Brazil (hereinafter – Brazilian SPV) for the provision of such services. For that reason, KN may need to give a guarantee or guarantees to secure the fulfilment of obligations of the Brazilian SPV to GNA (or its legal successor) under the Agreement for the validity period of the Agreement (issuing a guarantee or guarantees for the entire period of the Agreement or issuing separate guarantees for relevant shorter periods). It is established that a guarantee or guarantees of KN can be given both as a direct guarantee of KN to GNA (or its legal successor) for the obligations of the Brazilian SPV, and indirectly – KN guaranteeing (also depositing cash or securing in any other way) the fulfilment of obligations of the Brazilian SPV to third parties, which issue guarantees or give other security for fulfilment of obligations of the Brazilian SPV to GNA (or its legal successor) under the Agreement. It is established that the total maximum amount covered by such guarantees of KN (whether direct or indirect) shall be limited to 100% of the annual income of the Brazilian SPV, generated under the Agreement, consisting of (i) the fixed fee (which changes subject to annual inflation), (ii) the variable fee (depending on the utilization of the terminal and which changes subject to annual inflation), (iii) compensation for incurred expenses (depending on actually incurred expenses of a certain type, that GNA (or its legal successor) compensates under the Agreement) and the total amount of which in one year, as estimated, should not exceed EUR 5,900,000 during the first year of the commercial operations of the terminal as established in the Agreement (without regard to possible foreign exchange fluctuations).

- The Ministry of Finance of the Republic of Lithuania has issued permission to AB Klaipėdos nafta to increase the authorised capital of the subsidiary UAB SGD logistika in the amount of up to EUR 3,540,000 and to provide a guarantee to UTE GNA I GERAÇÃO DE ENERGIA S.A.
- On the initiative and by the resolution of the Board of AB Klaipėdos nafta, legal entity code 110648893, with the registered office at Burių str. 19, Klaipėda Extraordinary General Meeting of Shareholders of the Company will be held on 31 October 2019 at 1:00 p.m. The meeting will be held in the Company's office at Burių str. 19, Klaipėda, in the administrative office of the Company (in the hall of the meeting on the 2nd floor).

Agenda of the meeting:

1.Regarding the approval of the decision of the Board of AB Klaipėdos nafta to give a guarantee or guarantees of AB Klaipėdos nafta for the subsidiary of UAB SGD logistika registered by it in the Federative Republic of Brazil.

- European Commission has published a decision on the compatible state aid confirming that the measures proposed by the Republic of Lithuania to reduce the costs of maintenance of LNG terminal are compatible with the internal market and fulfil the criteria for state aid. The measures approved in this decision will create legal preconditions to reduce the costs of maintenance of LNG terminal by the amount of up to EUR 135,5 mln. until 2024. Further decisions will be approved by the Board and the General Meeting of Shareholders of AB Klaipėdos nafta.

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Darius Šilenskis, Acting Chief Executive Officer of AB Klaipėdos nafta, Jonas Lenkšas, Chief Financial Officer of AB Klaipėdos nafta, and Rasa Tamaliūnaitė, Chief Accountant hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed Financial Statements of AB Klaipėdos nafta for the nine months period ended on 30 September 2019, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of AB Klaipėdos nafta.

Acting Chief Executive Officer

Darius Šilenskis

Chief Financial Officer

Jonas Lenkšas

Chief Accountant

Rasa Tamaliūnaitė