



AB KLAIPĖDOS NAFTA

# UNAUDITED FINANCIAL RESULTS OF KN GROUP FOR 9 MONTHS 2020

*October 30, 2020*





**DARIUS ŠILENSKIS**  
CHIEF EXECUTIVE OFFICER



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SHIFT IN MISSION AND VISION



COVID-19 IMPACT



2020 Q3 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

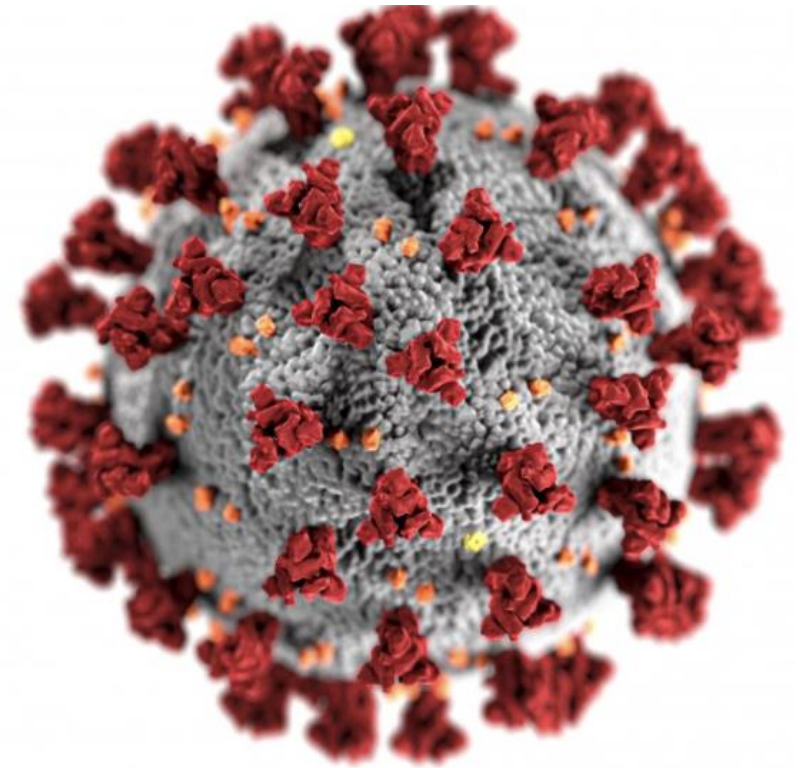
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Top LNG terminals operator worldwide and the most competitive oil and refined products handling hub in the Baltic region.



## 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. Currently the Company applies hybrid work model: employees are divided into two teams, which rotate on a weekly basis between remote work and work from the office. Taken into consideration recent increase in COVID-19 cases in Lithuania, KN employees living / working in regions which are in quarantine are encouraged to work remotely, if their work specific allows it.
- With future uncertainty surrounding second (and possibly third) wave of 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.



### JULY 9

An increase of the authorized capital of the Company by 29 TEUR has been registered.

### AUGUST 26

The Ministry of Finance of the Republic of Lithuania has issued permission to KN to decrease the authorized capital of the Company to EUR 110 315 009,65.

### AUGUST 28

The President of the Republic of Lithuania Gitanas Nausėda and the Minister of Energy Žygimantas Vaičiūnas has visited Klaipėda LNG terminal.

### JULY 1

UAB Krovinių terminalas did not appeal the Supreme Court of Lithuania decision to not accept the appeal submitted by UAB Krovinių terminalas in the case regarding the alleged damages from the breach of the competition law.

### AUGUST 1

National Energy Regulatory Council set 3,46 % rate of return on regulated asset base of the Company for 2021.

### AUGUST 26

The second LNG shipment for PGNiG, a partner oil and gas company in Poland, has arrived at the KN reloading station.

### OCTOBER 1

The new gas year of the LNG terminal began with extremely high operating results: during the last year of natural gas (until 30 September), the largest amount of natural gas was regasified and supplied to the Lithuanian natural gas system to date – 23,9 TWh, when, compared to the previous year, it amounted to 14 TWh.

## GEIDŽIAMIAUSIAS DARBDAVYS 2020

**Aug 5.** KN ranked 5th among twenty most desirable employers in Lithuania, list compiled by Verslo žinios.

**Aug 21.** KN hosted a group of students from the National Academy of Students, who got acquainted with KN terminal, the activities of the KN laboratory. We contribute to the development of students' curiosity by showing how the theoretical knowledge they acquire is later applied in practice.



**Aug 30.** According to the State Tax Inspectorate data, in the first half of this year, KN, having paid more than 97 million euros, was the largest taxpayer in the logistics sector in Lithuania.

**Summer.** KN is further focusing on its strategy 2030 awareness and engagement internally. Darius Šilenskis, KN CEO, had an internal strategy discussion road-show throughout the organization.



**Sep 22.** Darius Šilenskis, CEO of KN, participated in the conference "Lietuvos Davosas 2020", where he engaged in a discussion about importance of LNG in creating sustainable and climate neutral economy and energy sector.

**Oct 22.** Bank of Lithuania, as a supervisory authority for the listed companies, evaluated KN as one of the best compliant to NASDAQ Vilnius corporate governance code among all 26 Lithuanian listed companies.



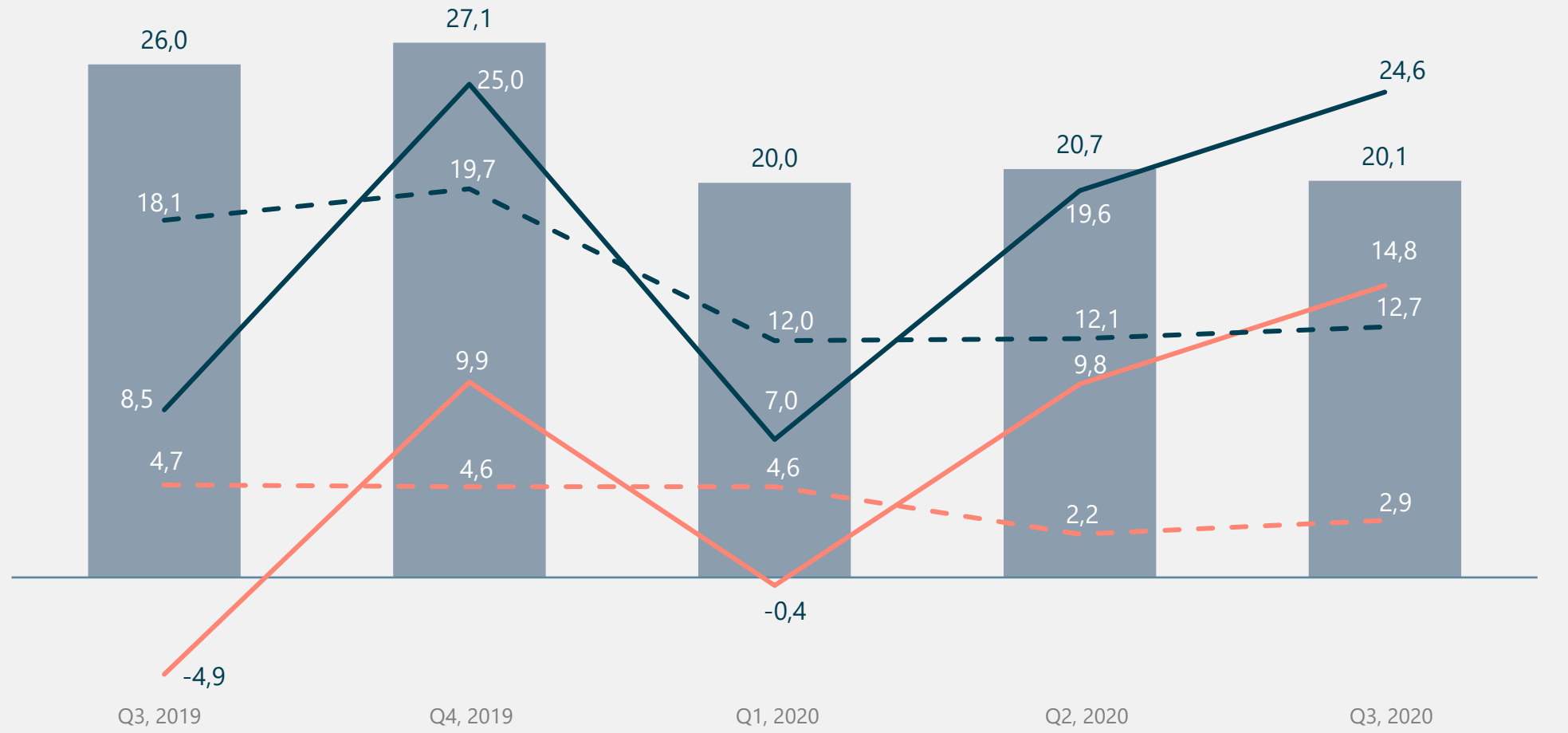


# FINANCIAL RESULTS





# FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 2020 Q3, MEUR



■ Sales revenues

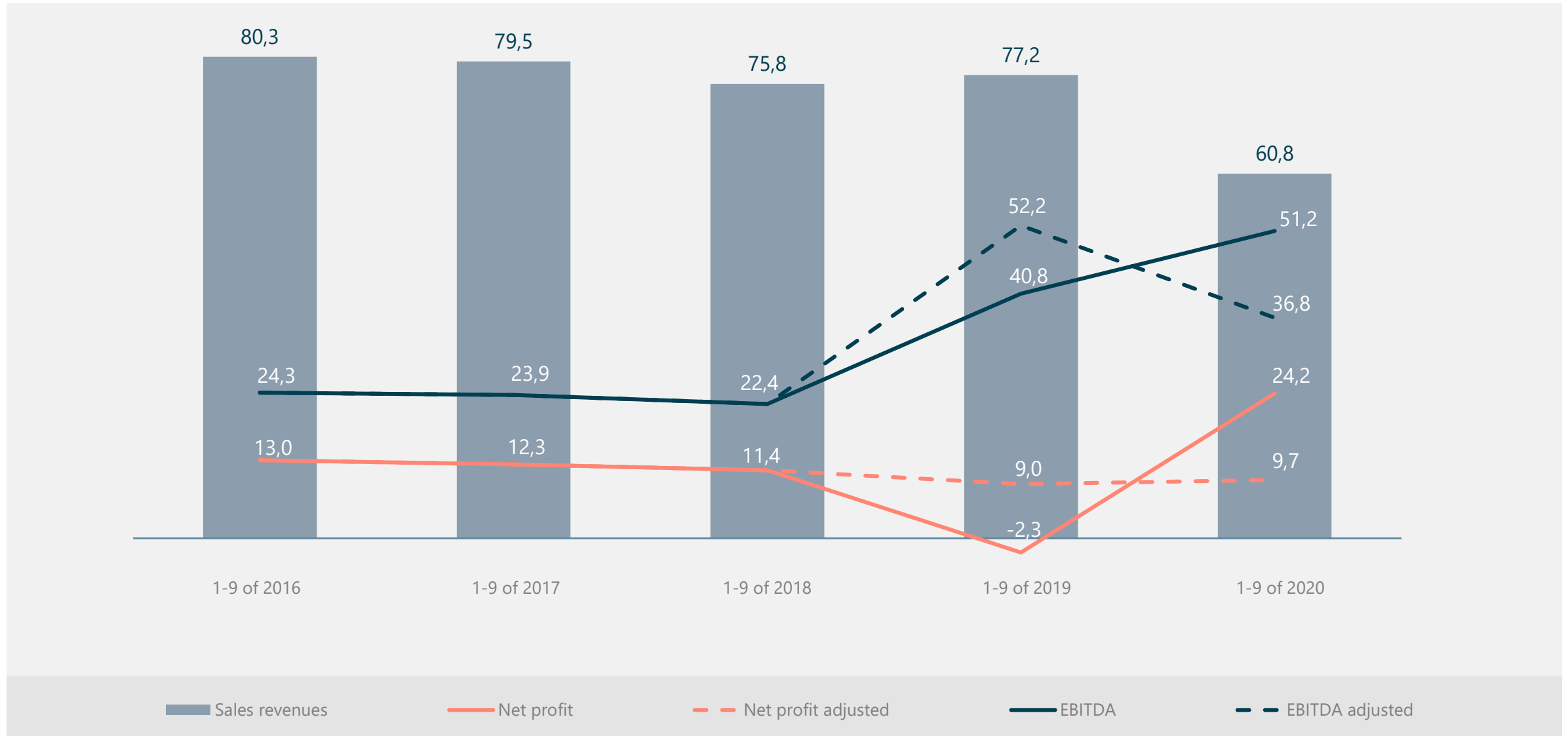
— Net profit

- - - Net profit adjusted

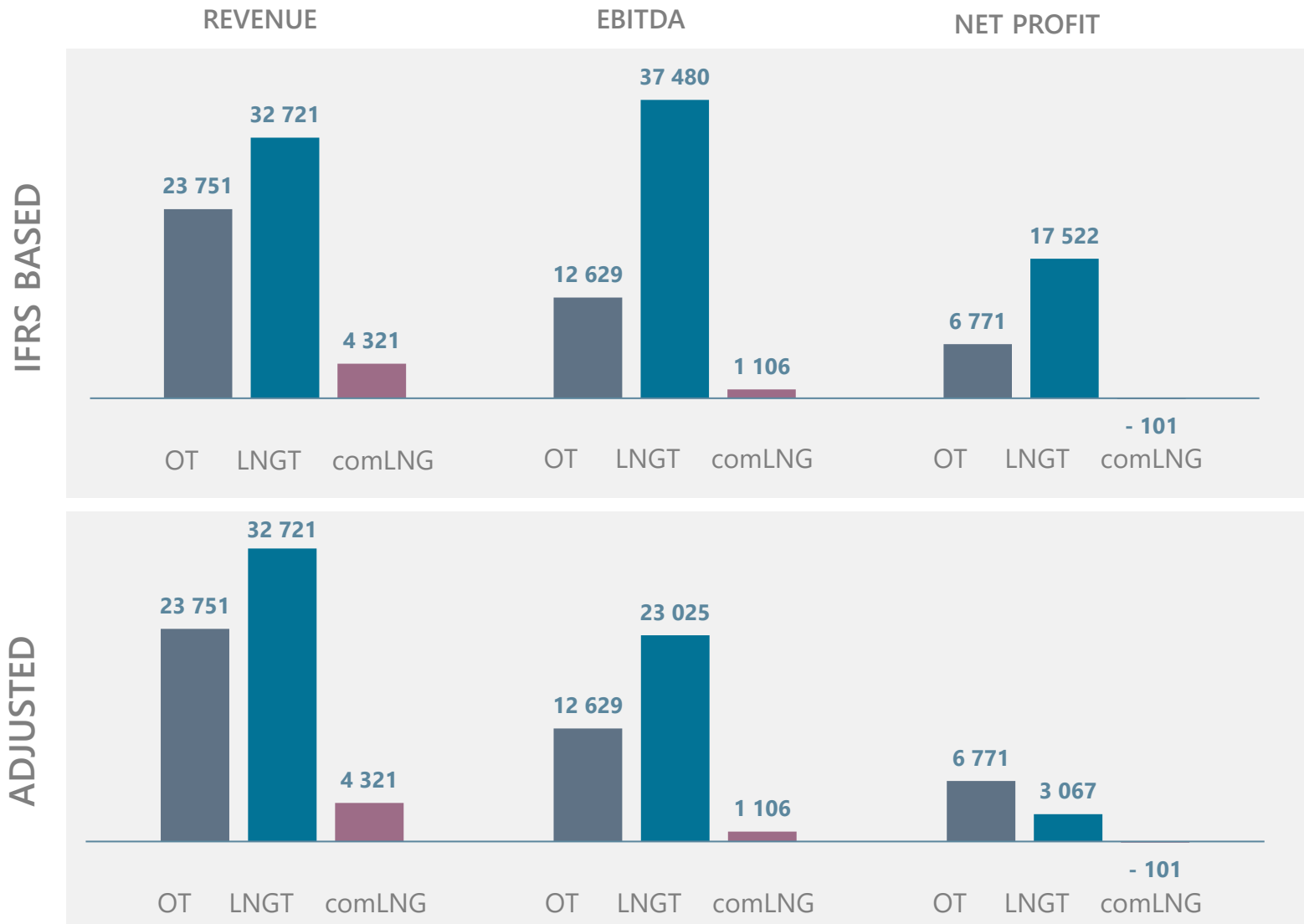
— EBITDA

- - - EBITDA adjusted

# FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 9 MONTHS OF 2020, MEUR

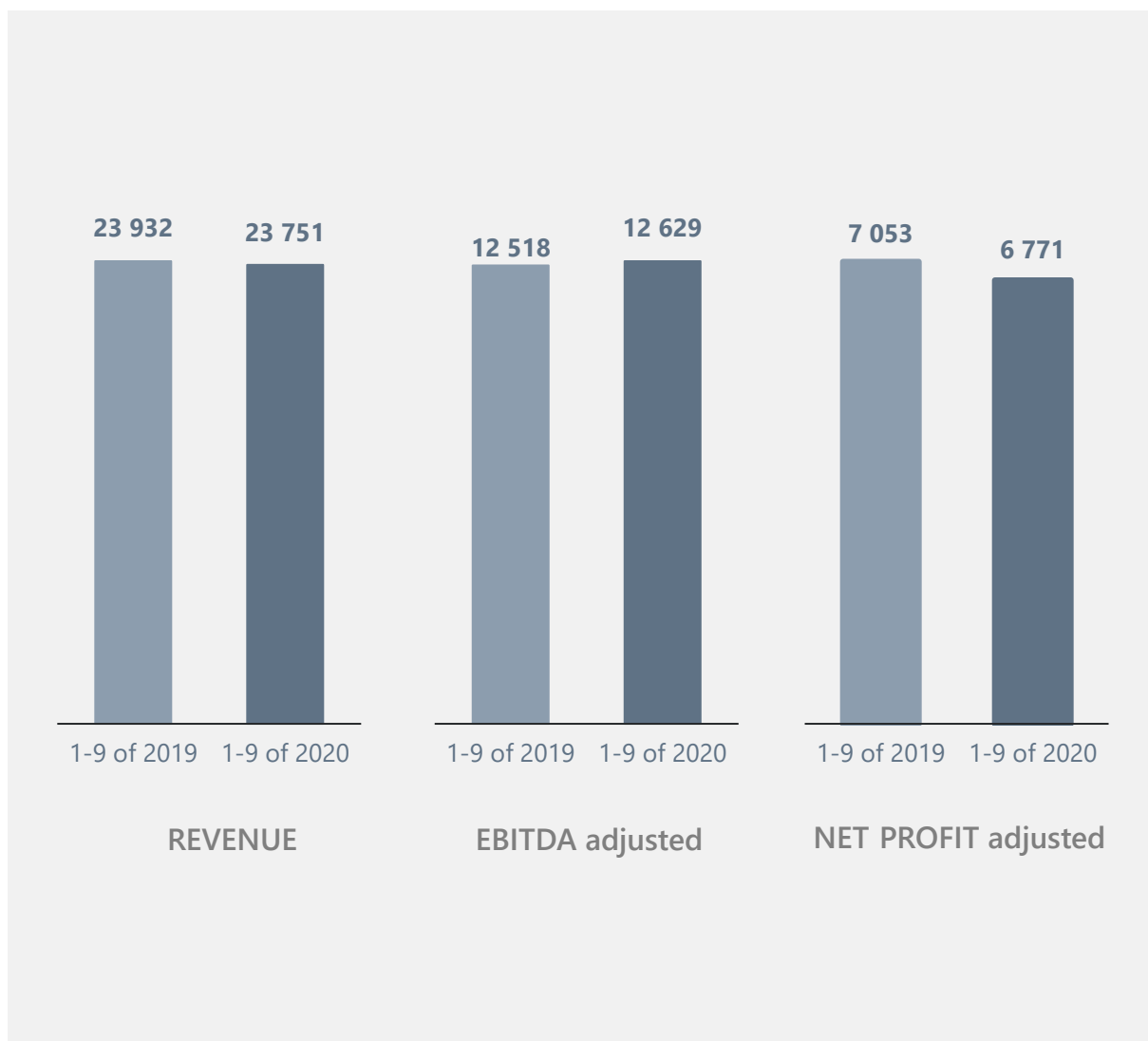






## SEGMENTS EXPLANATION:

- **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:

First 9 months of 2020 were full of destabilizing events for oil industry and reducing demand for oil products which put a significant pressure on KN's oil business activity and results. Global and regional oil market developments in Q3:

- ❑ COVID-19 has a continuous effect on the oil market. In the beginning of September the sales of spot crude oil cargoes globally started decreasing, demand of the storage in tankers went up due to market participants anticipation of the increase in number of COVID-19 cases. Also, since the peak at the end of June the total amount stored in large-capacity floating storages - tankers is also decreasing but remains at record-high levels. It is anticipated that the second wave of COVID-19 will further strengthen demand for storage.
- ❑ European refinery margins struggle near breakeven. It is forecasted, that more refining capacity than usual will shut for maintenance in Europe this autumn, in part because of the pressing weight of high product stocks. Refinery utilization rates fell to just over 68% in May-August, effectively close to minimal operating levels, and down from nearly 82% a year earlier. The figure is unlikely to rise much before, during and after the maintenance. It will further influence volumes of product transshipment.
- ❑ Due to the geopolitical circumstances and COVID-19 impact, if compared 2020 Q3 to 2020 Q2, in total Baltic's oil product transshipment amount (tankers) in Lithuania decreased by 5%, in Estonia and Latvia by 6%.

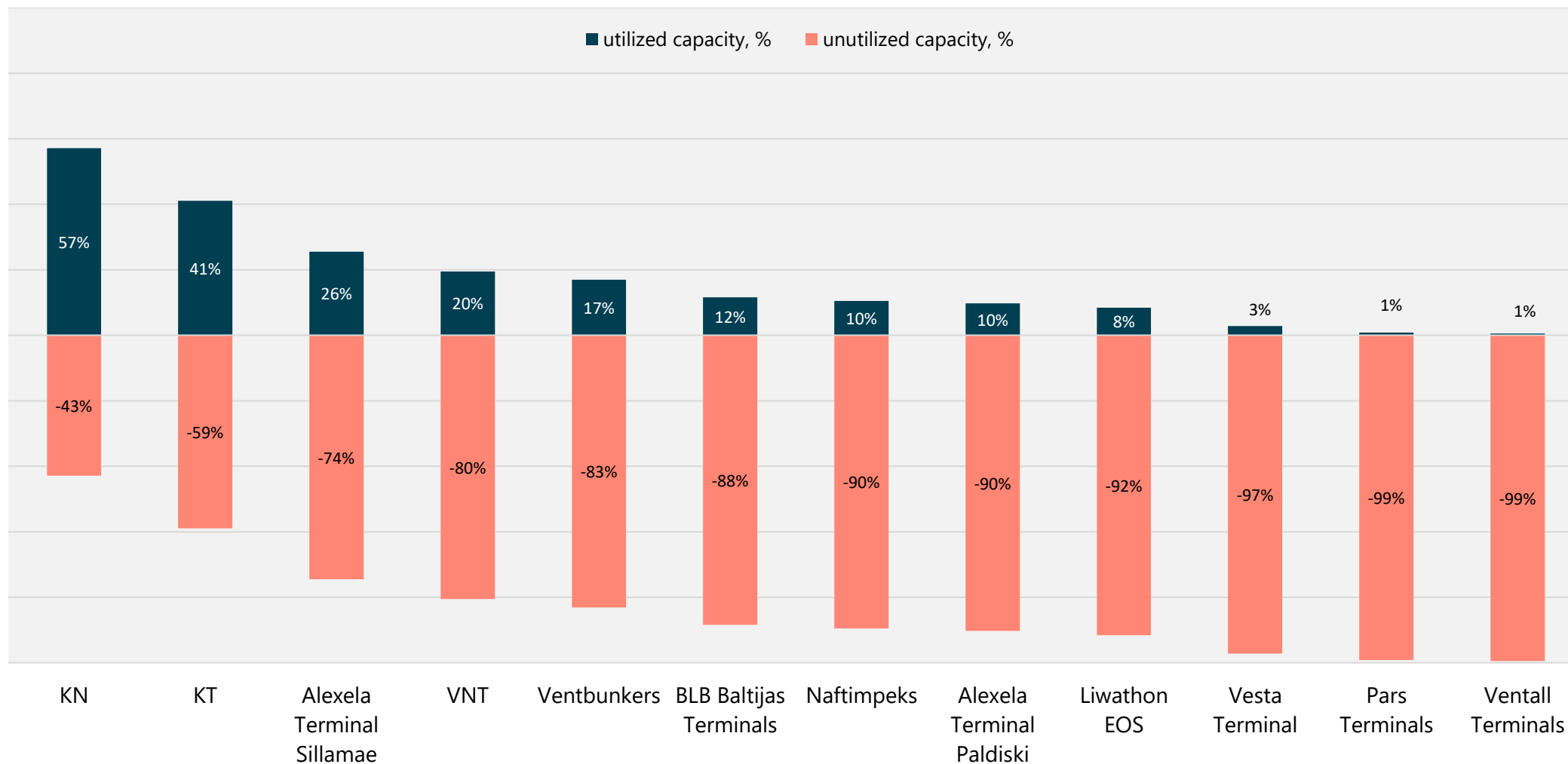
Despite all these challenges KN continues to:

- lead among the Baltic states oil terminals, demonstrating high transshipment volumes,
- develop new activities, such as transshipment of biofuels, bitumen,
- focus on and explore emerging business opportunities.



# TRANSSHIPMENT CAPACITIES UTILIZATION IN BALTIC STATES OIL TERMINALS (1-9 OF 2020), %

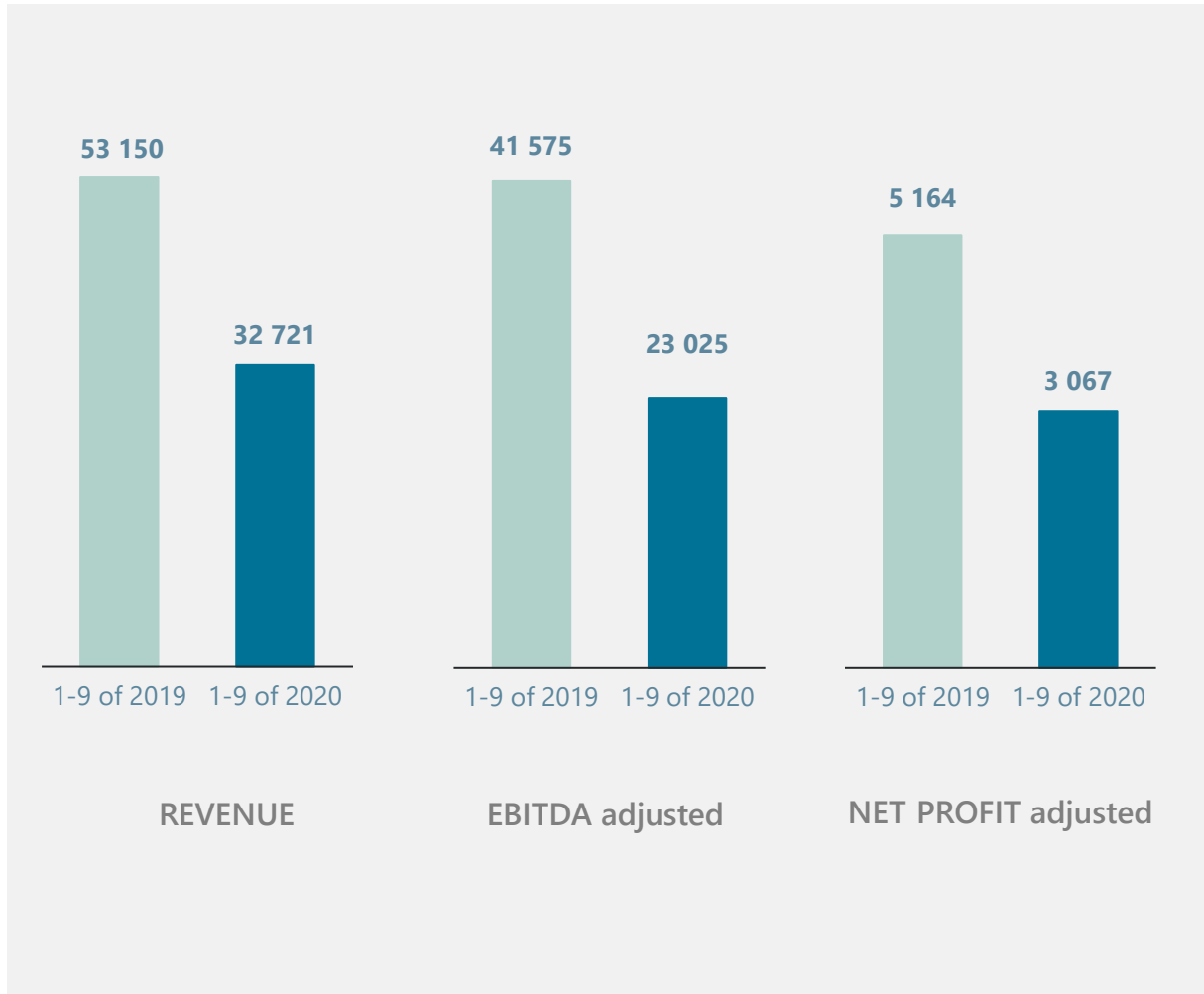
OIL MARKET OVERVIEW



Based on KN and Argus Neftetransport newsletter data

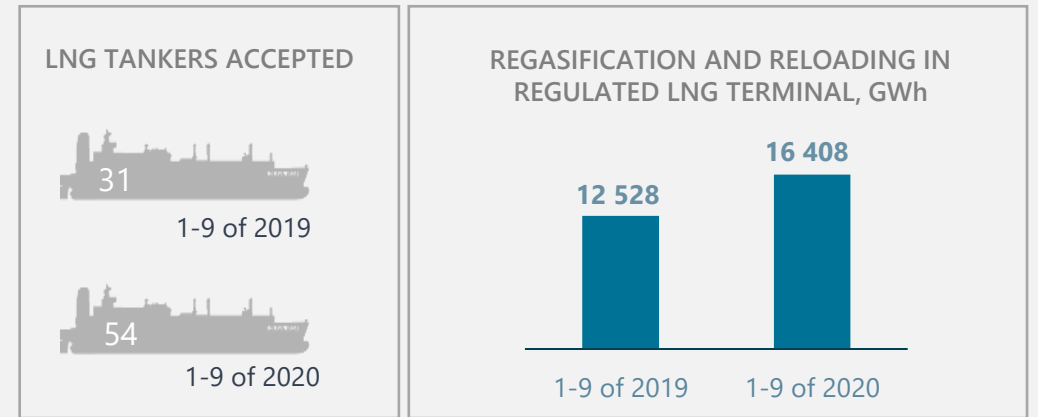
# FINANCIAL HIGHLIGHTS FOR 9 MONTHS OF 2020, TEUR

## REGULATED LNG ACTIVITIES



### BUSINESS FACTORS:

- LNG security supplement reduction impact – 20,1 MEUR for 9 months 2020.
- Low demand affected by the Covid-19 pandemic, the oversupplied gas market, and warm 2019/2020 winter season have increased the attractiveness of LNG. As a result, during the three quarters of this year, more than 71 % of gas in Lithuania was imported via LNG terminal in Klaipėda.
- During the first nine months of 2020, the utilization of the LNG terminal in Klaipėda reached more than 50%. Due to favorable LNG market conditions, gas exports from Lithuania to other Baltic countries and Finland have reached 7,8 TWh (volumes were two times higher than in the same period in 2019).
- The average Dutch TTF Natural Gas Index was equal to 6,15 EUR/MWh in the 3rd quarter of 2020 in comparison to 11,02 EUR/MWh in the 3rd quarter of 2019 (source: ICE).





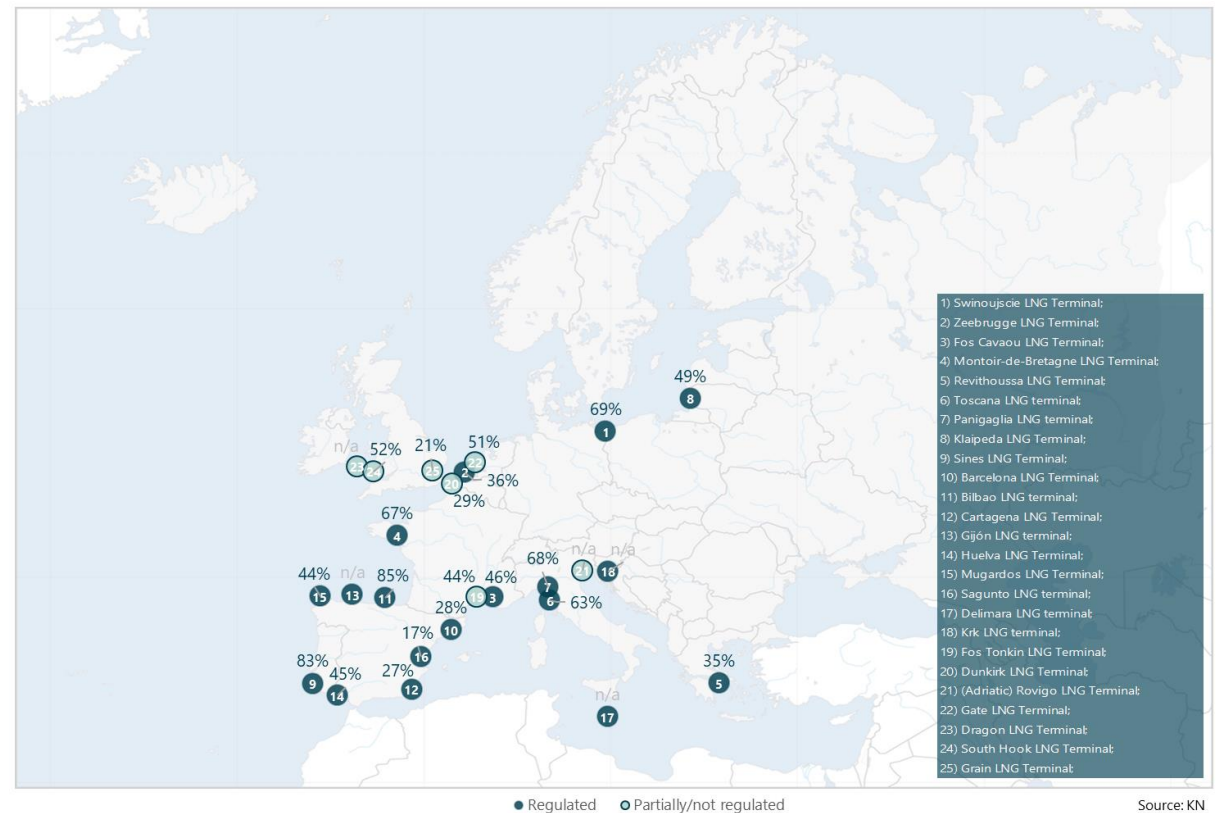
# UTILIZATION IN LNG TERMINALS HAS REACHED A RECORD HIGH DUE TO LOW LNG PRICES

- LNG terminals in Europe reached the record high level of utilization during the first half of 2020. However, YTD (as of Oct-21) utilization slightly decreased due to strong demand for LNG cargoes in JKM market.
- LNG terminal in Klaipeda has maintained the stable level of utilization (~50%).

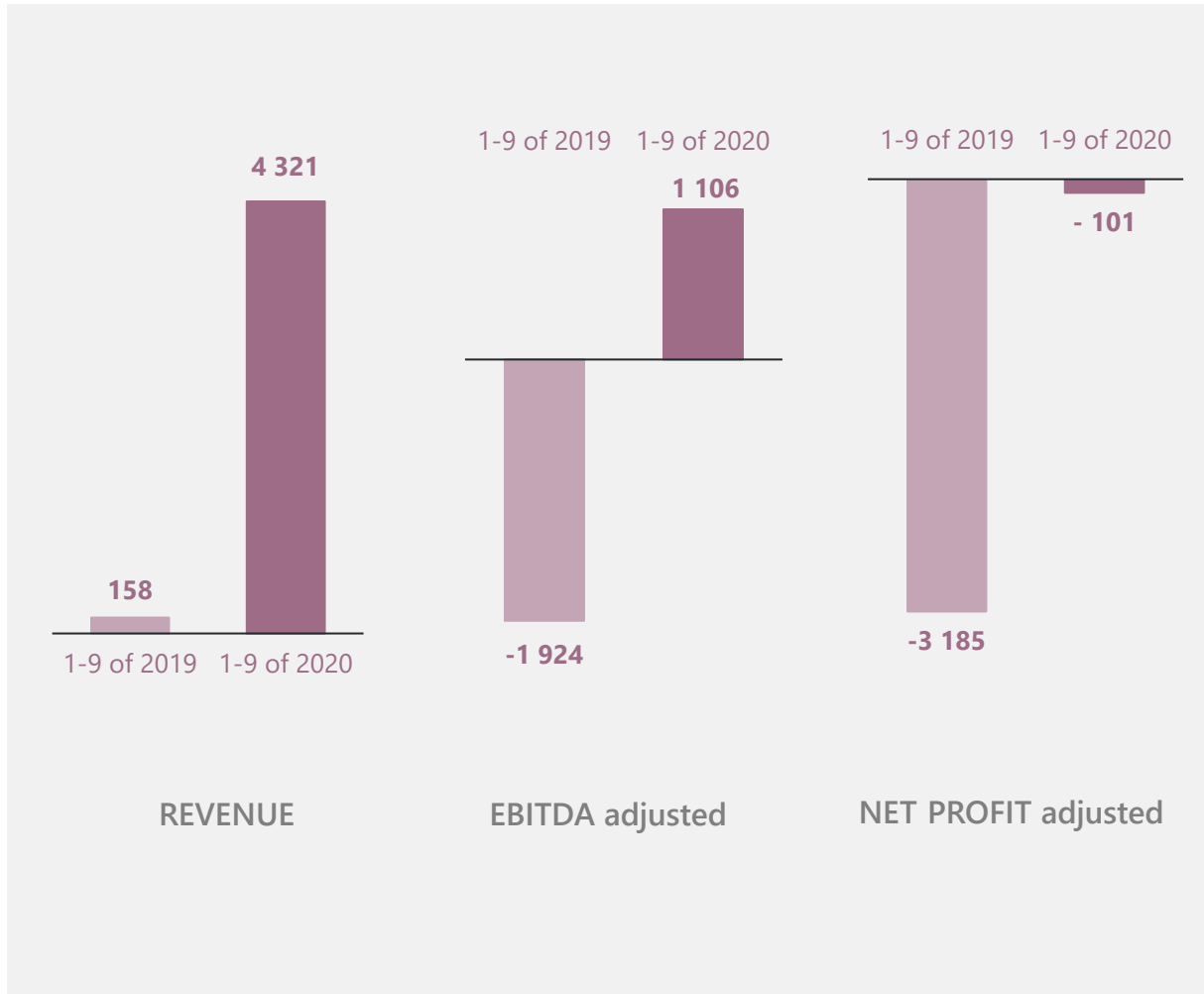
LNG Terminals Utilisation	2017	2018	2019	1H 2020	YTD 2020
Zeebrugge, BE	7%	17%	45%	50%	36%
Swinoujscie, PL	31%	50%	61%	80%	69%
Sines, PT	55%	59%	85%	80%	83%
Revithoussa, GR	21%	15%	34%	39%	35%
Montoir-de-Bretagne, FR	23%	33%	67%	77%	67%
Dunkirk, FR	5%	8%	39%	40%	29%
Fos Tonkin, FR	59%	44%	58%	52%	44%
Fos Cavaou, FR	41%	45%	50%	56%	46%
Klaipeda, LT	28%	20%	44%	50%	49%
Gate, NL	5%	18%	50%	64%	51%
Panigaglia, IT	15%	21%	59%	61%	68%
Toscana, IT	16%	20%	64%	63%	63%
Sagunto, ES	19%	1%	22%	13%	17%
Mugardos, ES	28%	28%	34%	41%	44%
Huelva, ES	33%	31%	38%	45%	45%
Cartagena, ES	5%	4%	13%	29%	27%
Bilbao, ES	36%	39%	74%	93%	85%
Barcelona, ES	29%	26%	30%	32%	28%
South Hook, UK	22%	11%	43%	62%	52%
Grain, UK	4%	12%	27%	29%	21%
Average	24%	25%	47%	53%	48%

Source: KN calculations based on data from GIE ALSI database

## Utilization of LNG import terminals, YTD 2020



Note: percentages represent YTD utilisation as of 2020-10-21.



### BUSINESS FACTORS:

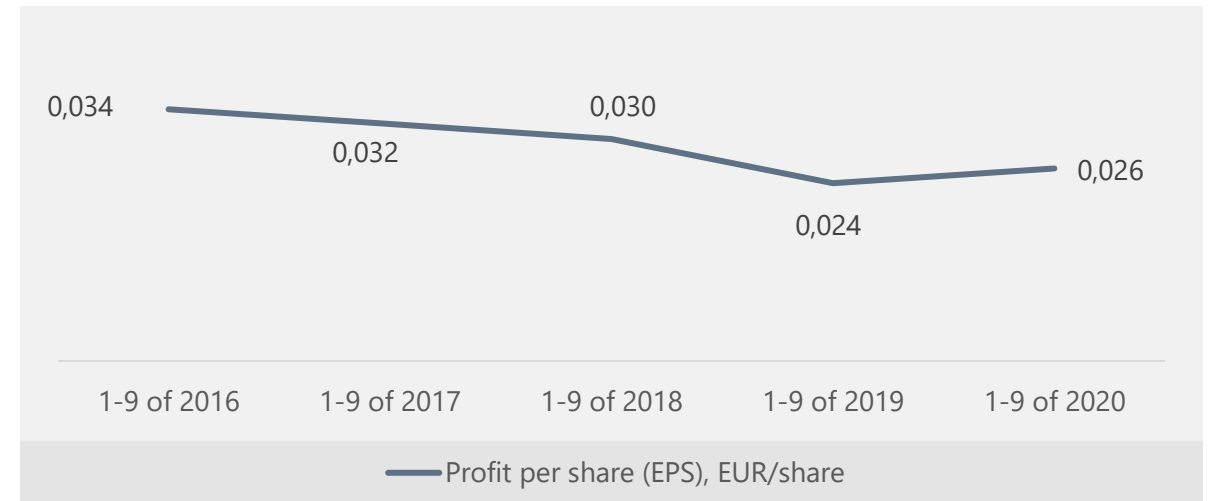
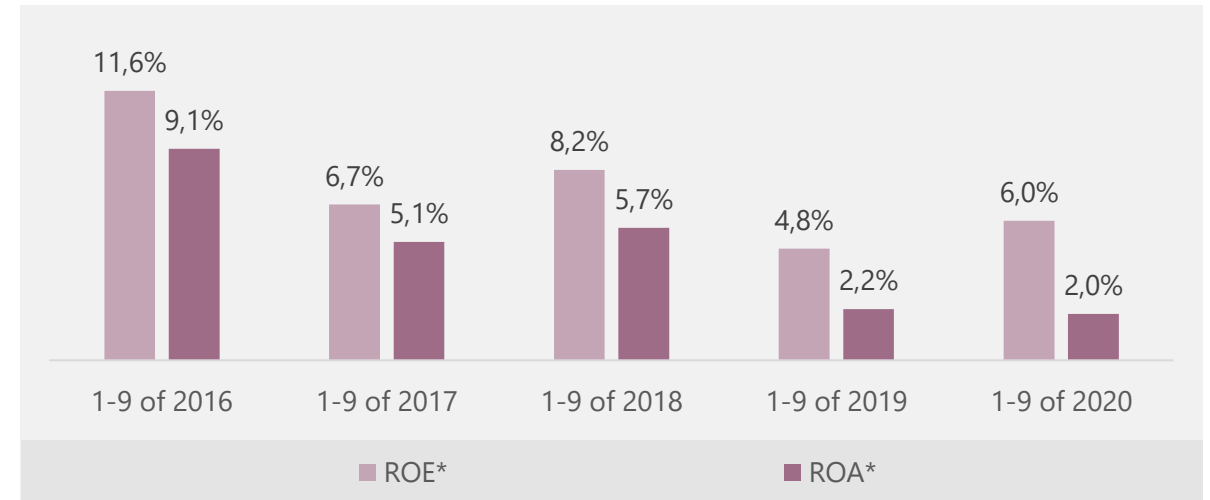
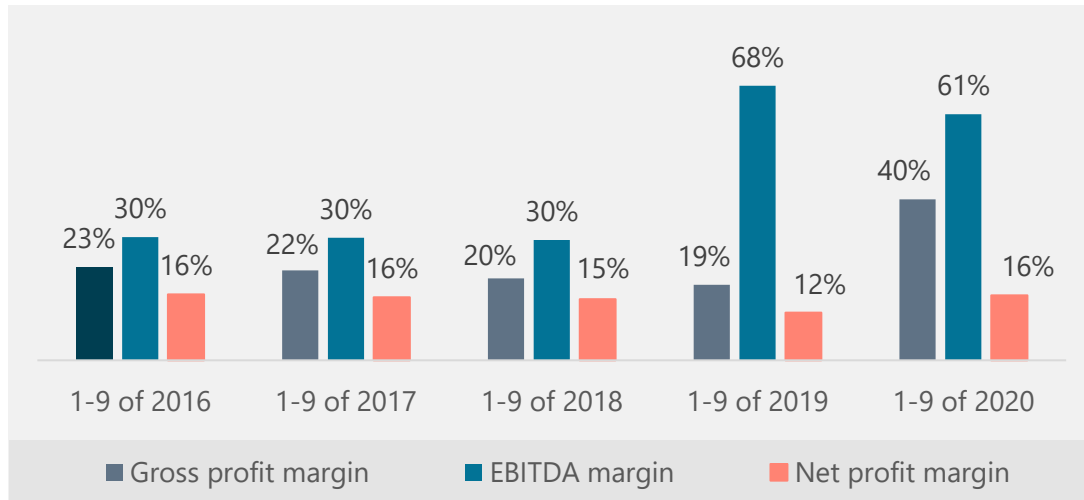
- KN, together with its subsidiary KN Açu Serviços de Terminal de GNL Ltda., provide services to UTE GNA I Geração de Energia S.A. in accordance to the Operation and Maintenance Services Agreement.
- For more than half a year (starting from 1st of April, 2020), the LNG reloading station has been successfully 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 9 MONTHS OF 2020

ALL RATIOS ARE CALCULATED BASED ON ADJUSTED FIGURES

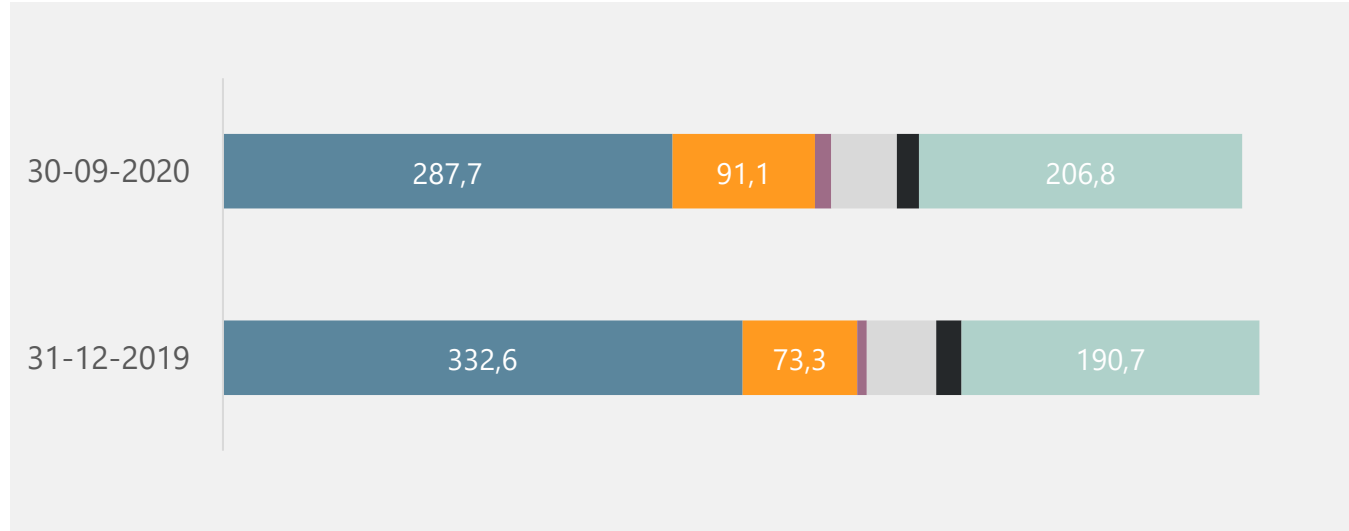
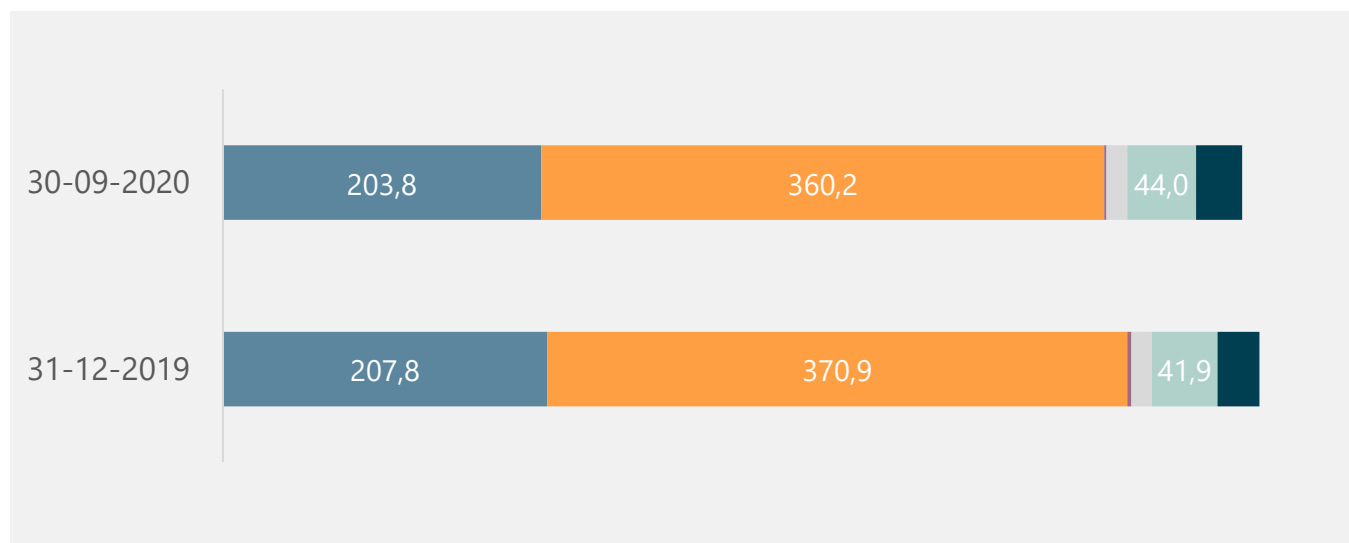


\* The return on equity (ROE) and return on assets (ROA) were calculated by dividing the net profit (losses) of the last twelve months by the average of equity or asset values at the beginning and the end of the reference year.



ASSETS			
MEUR	30-09-2020	31-12-2019	
■ PPE	203,8	207,8	
■ Right to lease property	360,2	370,9	
■ Other non-current assets	1,5	2,6	
■ Trade receivables	13,2	13,2	
■ Cash and cash equivalents	44,0	41,9	
■ Other current assets	29,5	26,9	
<b>TOTAL</b>	<b>652,2</b>	<b>663,3</b>	

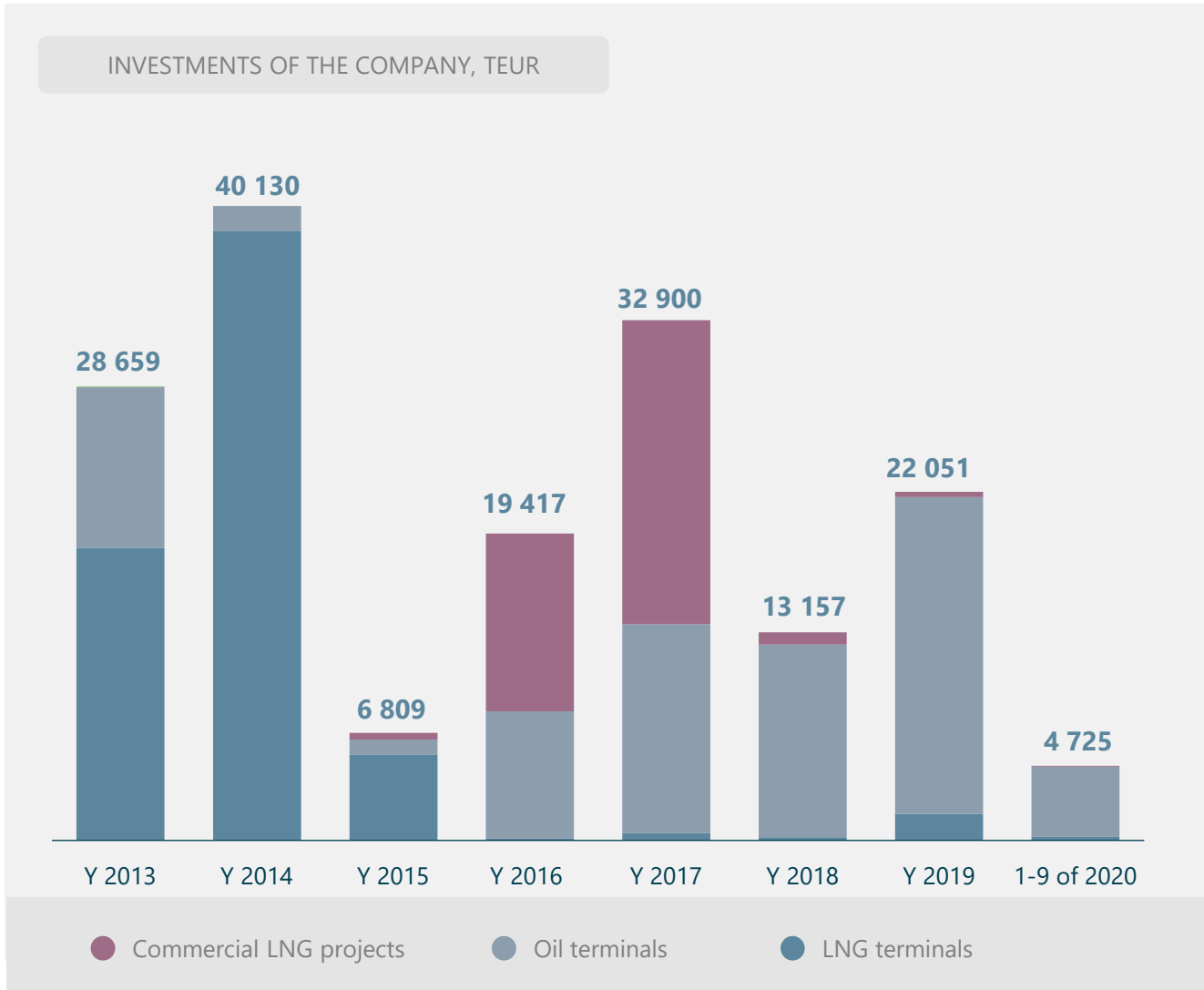
LIABILITIES & EQUITY			
MEUR	30-09-2020	31-12-2019	
■ Non-current lease liabilities	287,7	332,6	
■ Loans (non-current + current)	91,1	73,3	
■ Other non-current liabilities	10,5	6,2	
■ Current lease liabilities	42,1	44,3	
■ Other current liabilities	14,0	16,2	
■ Equity	206,8	190,7	
<b>TOTAL</b>	<b>652,2</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.





# Q&A







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