SC KLAIPĖDOS NAFTA

2014-06-03

Main activities

Klaipedos nafta

Appointed by the Government of Lithuania on July 10, 2010 for LNG Terminal Project implementation

Oil transshipment terminal

LNG Terminal

Details about the company

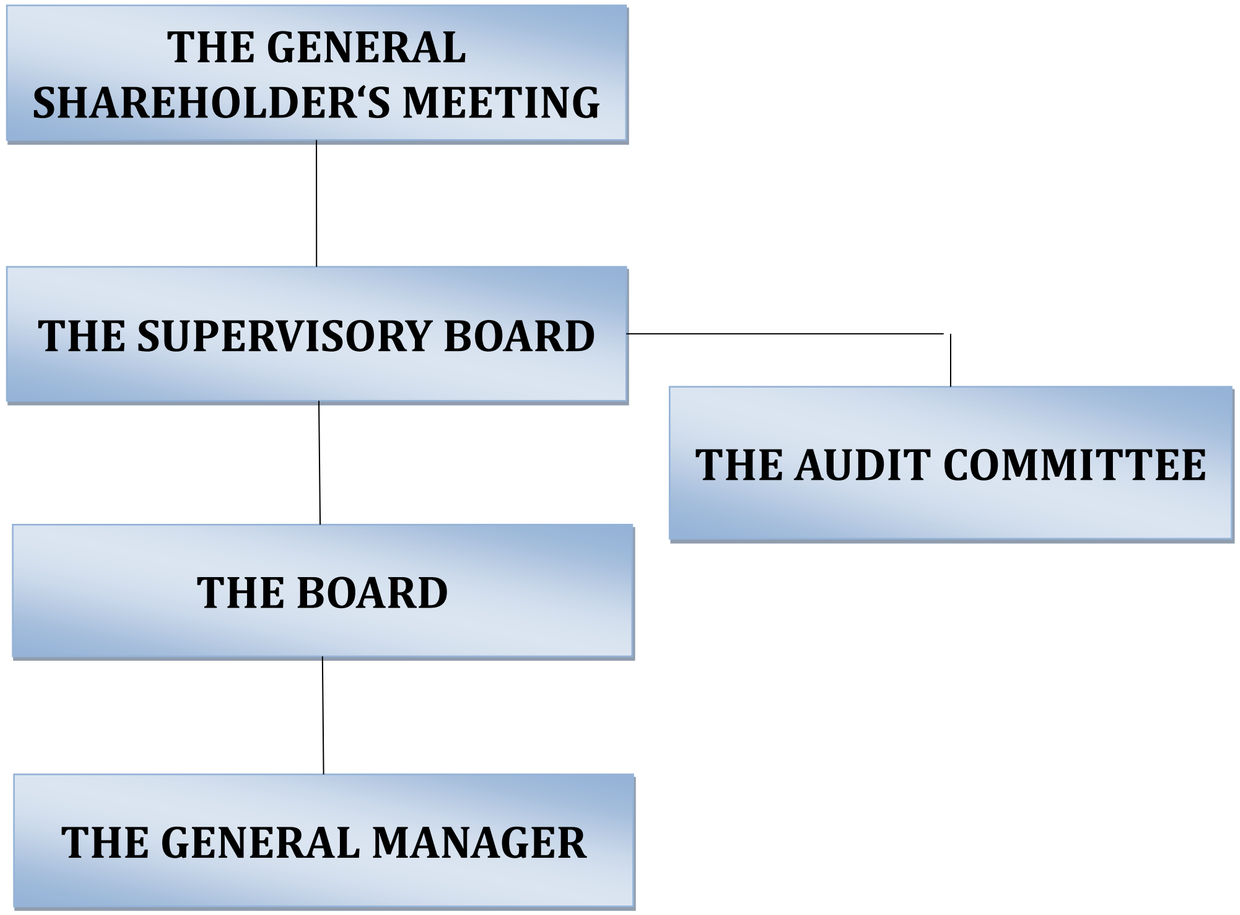
Name of the Company:	AB Klaipėdos Nafta
Authorized share capital:	380.606.184 Litas
Date and place of registration:	27 September 1994, State Enterprise Centre of Registers
Company code:	110648893
Address:	Burių g. 19, 91003 Klaipėda
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@oil.lt
Internet site:	www.oil.lt, www.sgd.lt

The Company‘s operational objectives are associated with the Company‘s strategy:

- to implement the project of LNGT by the end of 2014;
- To maintain status of the National significance object and to diversify activity of the Company;
- To improve effectiveness of the Company,
- To improve operativeness and flexibility of the terminal,
- To improve attractiveness of the Oil products terminal for oil refineries,
- To improve internal processes,
- To assure requirements of environmental protection.

Management of the Company

Organizational management structure



- The Company, in general, follows the Governance Code of NASDAQ OMX AB Vilnius for the companies listed on the regulated market.
- **The Supervisory Board** comprise of 3 (three) members.
- **The Audit Committee** comprise of 3 (three) members.
- **The Board** comprise of 4 (four) members. Those members are: Valdas Lastauskas, Rokas Masiulis, Rytis Ambrazevičius and Mindaugas Jusius.

Oil terminal's characteristics

Railway

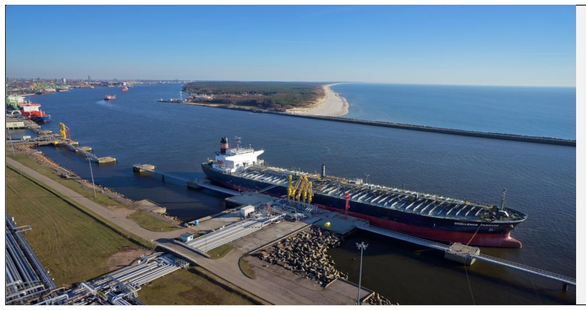
- 2 tracks for light oil products - LFO (total 60 tank-cars)
- 2 tracks for heavy oil products - HFO (total 62 tank-cars)
- One of the track is universal: can load both HFO and LFO
- Two four-track railway trestles provide a possibility to discharge or load 124 tank-cars simultaneously.

Storage tank farm

- Total 328 tanks
- ~450 cub. m thousand total volume (Subaciaus FS ~340 cub. m thousand)

Biological Waste Water Treatment Facilities

- Waste water collected and treated annually up to 400 cub. m thousand (160 m^3/h)



2 Jetties

- Depth: 14 m
- Length: 270 each
- Harbour entrance depth: 14.5 m
- Tanker batch: up to 100,000 t with 12.5 m depth

Road tanker loading

- A service to import gasoline and diesel by tankers for the Lithuanian market needs
- 4 loading points at the same time

Activities and services

EXPORT

A

- Delivery by rail-cars

B

- Temporary storage

C

- Tankers loading

IMPORT

- Reverse process to the export
- Loading possibility to railway-cars or auto-tankers

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OTHER

- Collecting waste (oily water) from vessels
- Tankers mooring
- Long term rent of storage tankers (Subaciaus Fuel Storage - SFS)

Klaipėdos nafta Transshipment of oil products during 2001 – 2013 (million tones)

KLAIPĖDOS NAFTA
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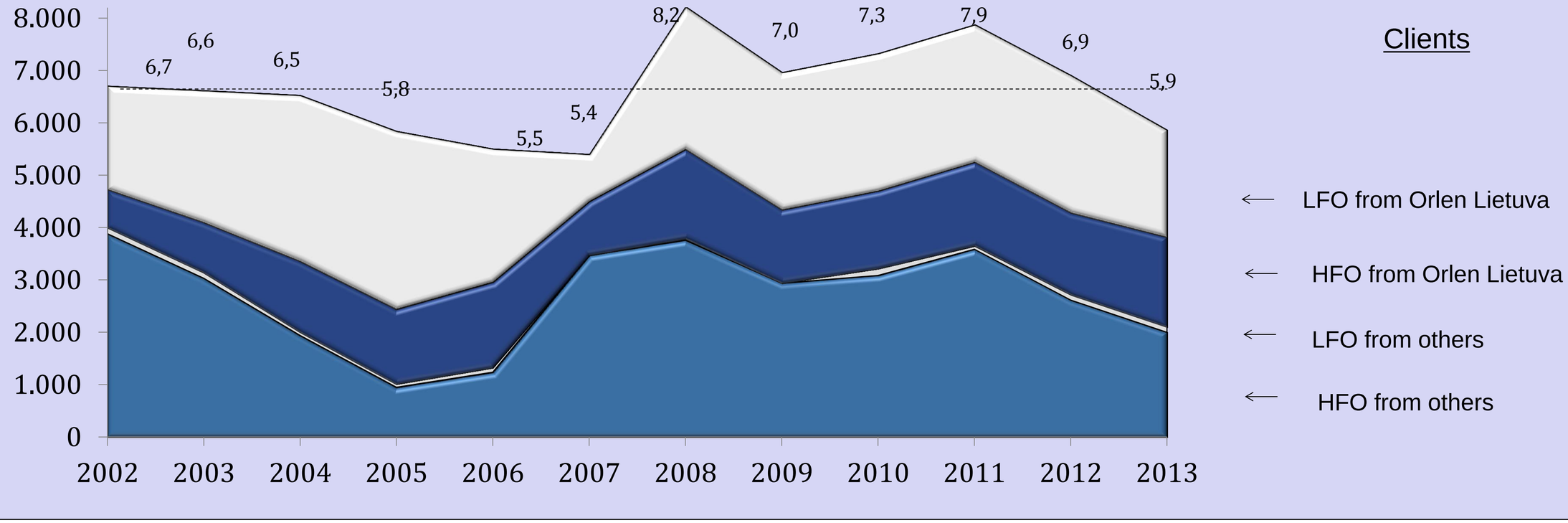
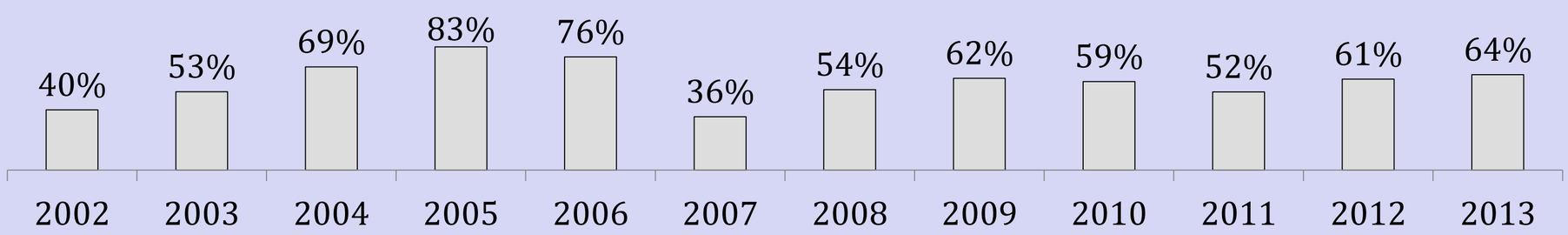
AVERAGE TRANSSHIPMENT - 6,6 MILLION TONES PER YEAR

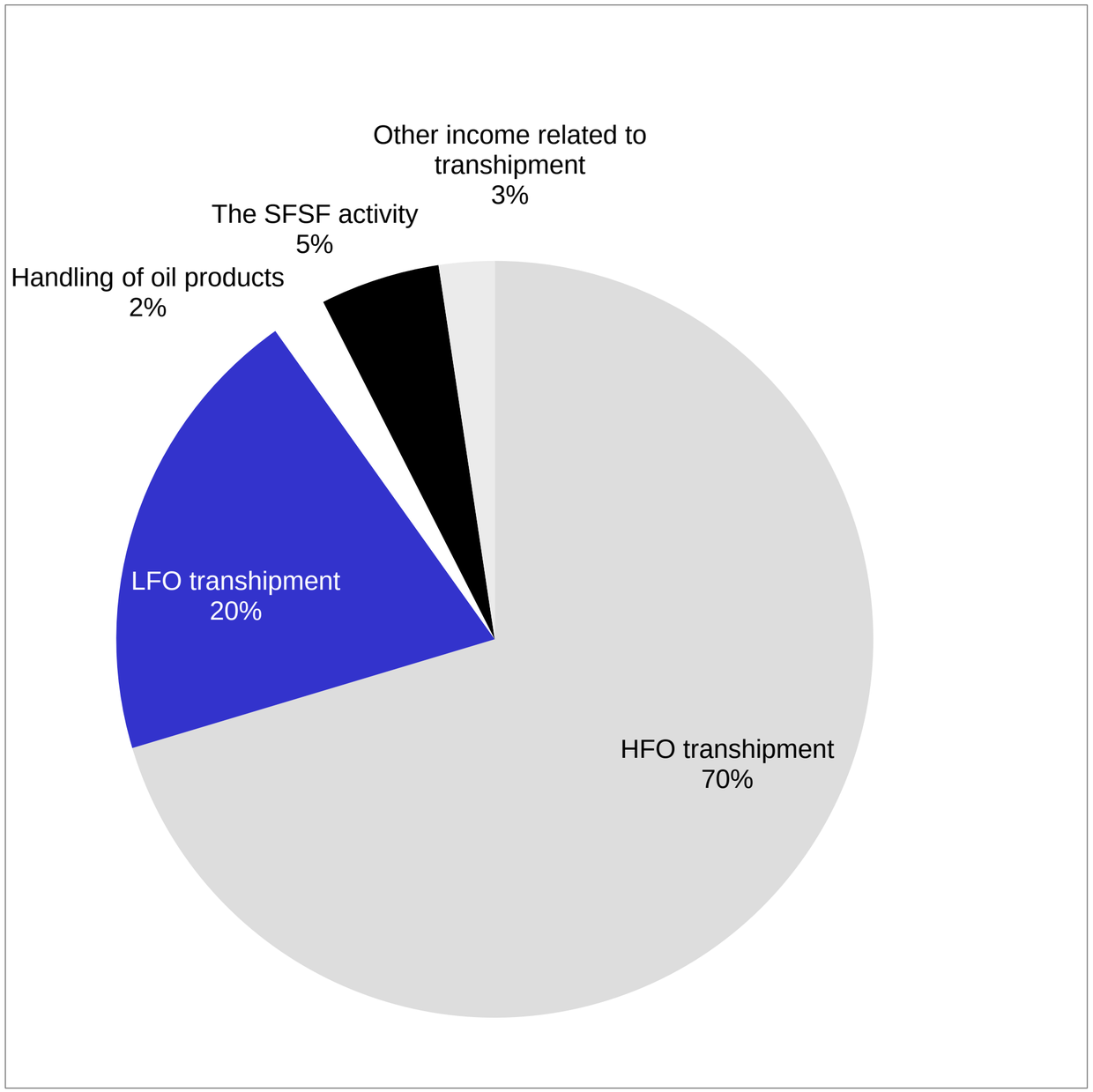


TRANSSHIPMENT OF „ORLEN LIETUVA“ PRODUCTS (% OF THE TOTAL TRANSSHIPMENT)

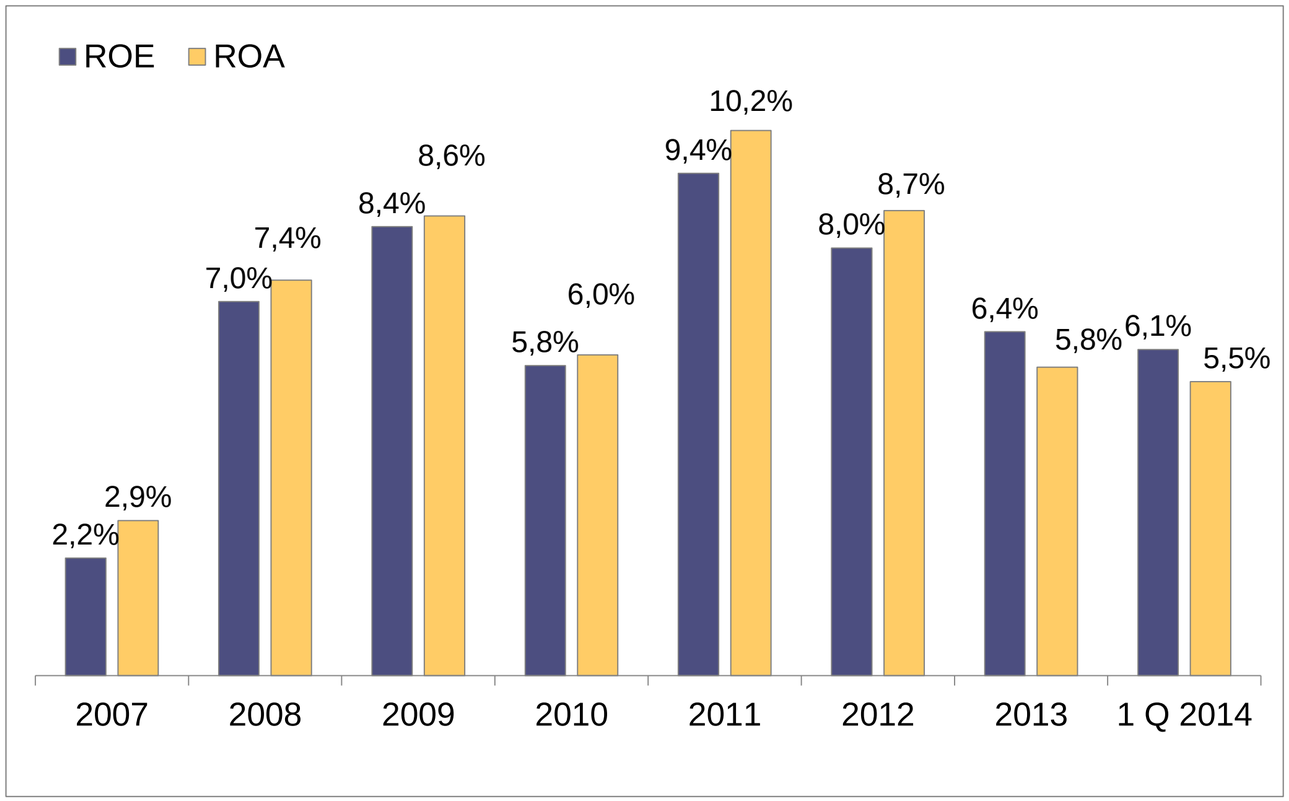


Results of financial activities: Sales revenue and Profitability

Structure of sales revenue 2013



Profitability (2007 – 1 Q 2014)



Main operating figures of the 1st quarter of 2014

	Q1 2014	Q1 2013	Change (%)
Transhipment of oil products (net, thousand tons):	**1,136**	**2,136**	**(46.8%)**
HFO	710	1,236	(42.6%)
LFO	426	900	(52.6%)
Transhipment of oil products market (net, thousand tons):	**1,136**	**2,136**	(46.8%)
Export(Orlen Lietuva, AB)	697	1.379	(49.5%)
Transit (oil refineries of Russia and Belarus)	417	741	(43.7%)
Other	22	16	37.5%
Investments (PP&E acquisitions) (LTL thousand)	**32,004**	**5,669**	**464.5%**
Oil terminal	*2,940*	*4,431*	(33.7%)
Liquefied natural gas terminal	*29,064*	*1,238*	2248.3%
Number of employees	**384**	**361**	**6.4%**
Oil terminal	312	310	0.6%
Liquefied natural gas terminal	42	21	100.0%
Subaciaus fuel storage	30	30	-

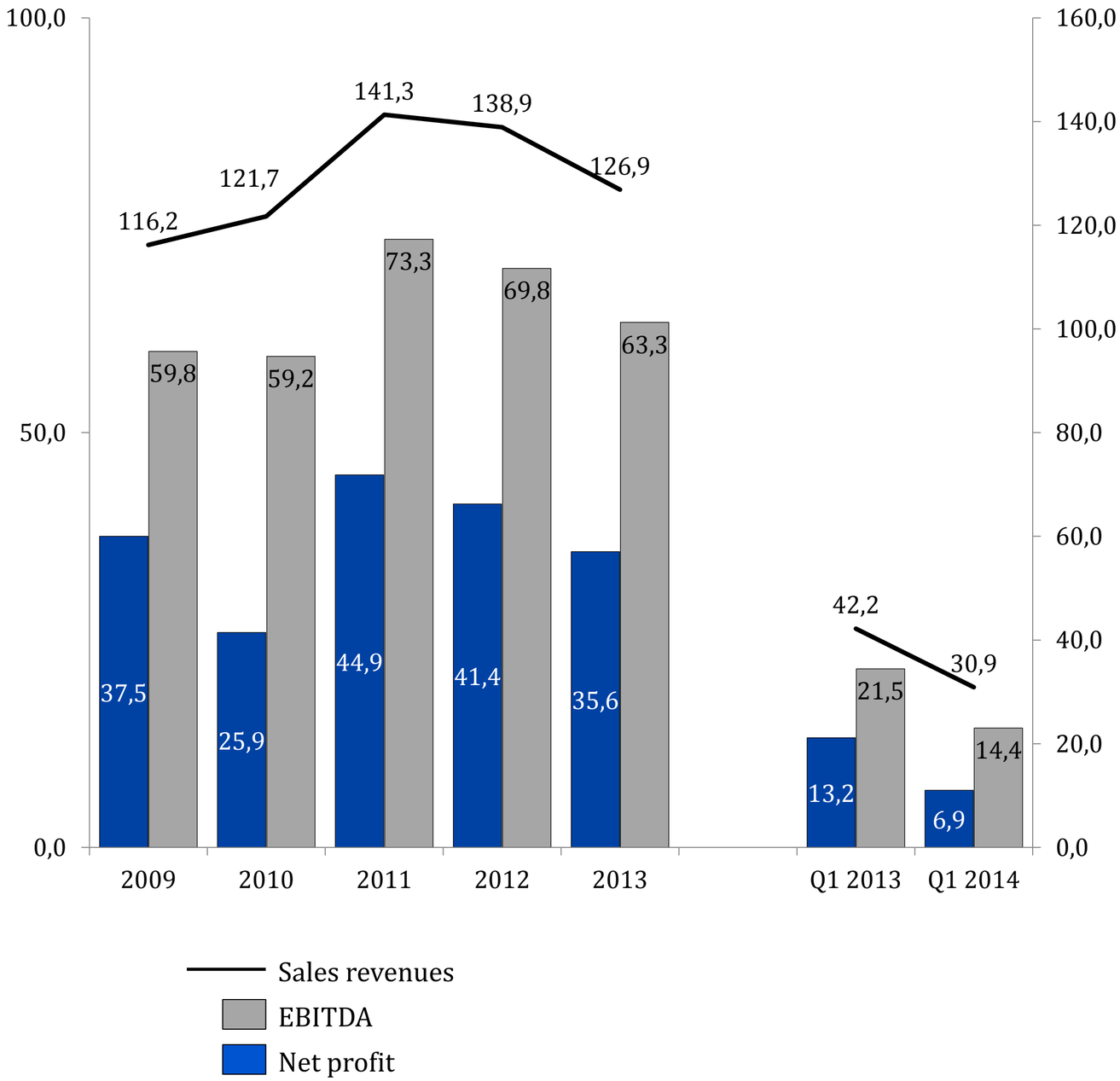
Comments:

The transhipment activity in the 1st quarter of 2014 was lower comparing to the same period of 2013:

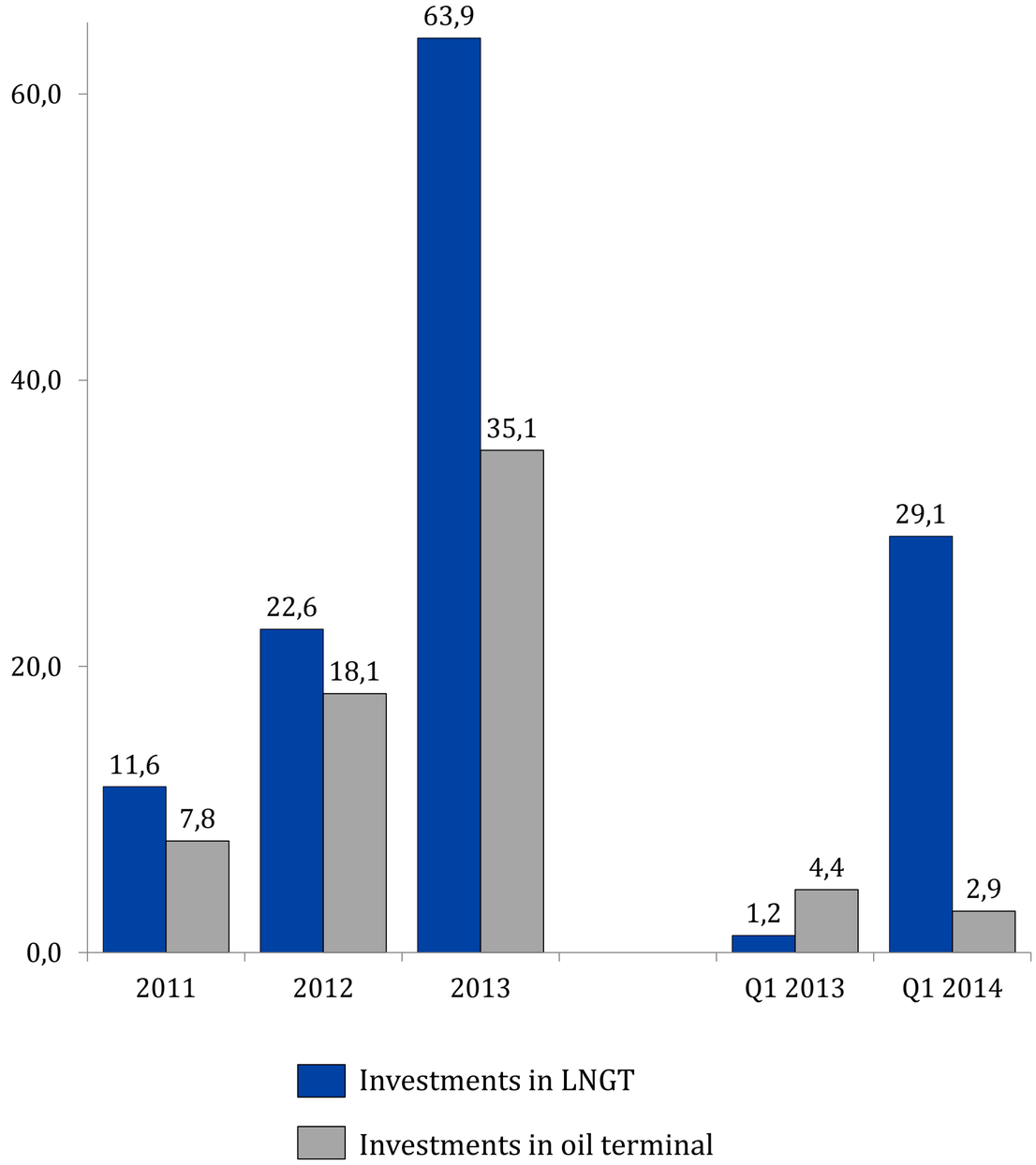
- Orlen Lietuva, AB reduced the refinery because of unfavorable global oil refining margins and correspondingly the export through the terminal of the Company;
- The transit oil products from Russian and Belorussian refineries has reduced in 2014 comparing to 2013 because of increased competition of the Russian ports.
- The transhipment volume in the 1st quarter of 2013 was the largest (record) in the history of the Company.

Main results of financial activities

REVENUES, EBITDA, NET PROFIT (LTL MILLION)



INVESTMENTS (LTL MILLION)



The main areas of investments:

- To increase the oil terminal's flexibility in accepting different types of oil products;
- To ensure the compliance with environmental and fire safety requirements;
- The implementation of the LNGT Project.

Major Oil terminal investments	▪ Reconstruction of the storage tank park of HFO tanks park: demolition of the four old storage tanks each 5 000 m3 and construction of the two new universal storage tanks each 32,250 m^3. ▪ In 2013 Vapour recuperation unit was installed and launched.; ▪ In 2013 was completed the modernization of the top unloading system of the rail piers enabling more efficient unloading from the rail cars; ▪ Modernization works of the fire safety system; ▪ Repair of biosorbents in biological water treatment facilities; ▪ Renovation of separation of steam boilers of heat production unit and other important investment.
LNG project investments	Since the beginning of the project until 31-12-2013 the total amount of investments comprise LTL 123 million: ▪ LTL 34 million payments to leading LNG terminal consultant FLUOR; ▪ LTL 50 million comprise construction of gas pipeline and metering station; ▪ LTL 16 million comprise construction of the jetty; ▪ LTL 23 million comprise other project implementation expenses. For financing of the LNGT project in 2013 the Company concluded the Financing Agreement for EUR 87 million loan with the European Investment Bank (EIB). Up to 50% of project costs are financed under this contract. Also negotiation is in progress with Nord Investment Bank for the additional project financing. More about the project please find in the following slides.
Subacius fuel storage investments	In 2012 the Company has added Subacius fuel storage base as a part of its activity. This object allowed Company to diversify its activity with the long term oil products storage. The 10 year service contract with the Lithuanian state company guarantees the long term income. In 2014 the major investments are oriented: ▪ Water treatment system modernization; ▪ Upgrade fire safety equipment and tools.

LNGT project:
Technology and geographical location

- The basic function of the LNG terminal – receive and temporally store LNG, to gasify and deliver it to the transmission system.
- When choosing a terminal technology, two opportunities were evaluated: FSRU technology and onshore terminal. Executing the LNG project, FSRU technology was selected for the following reasons:

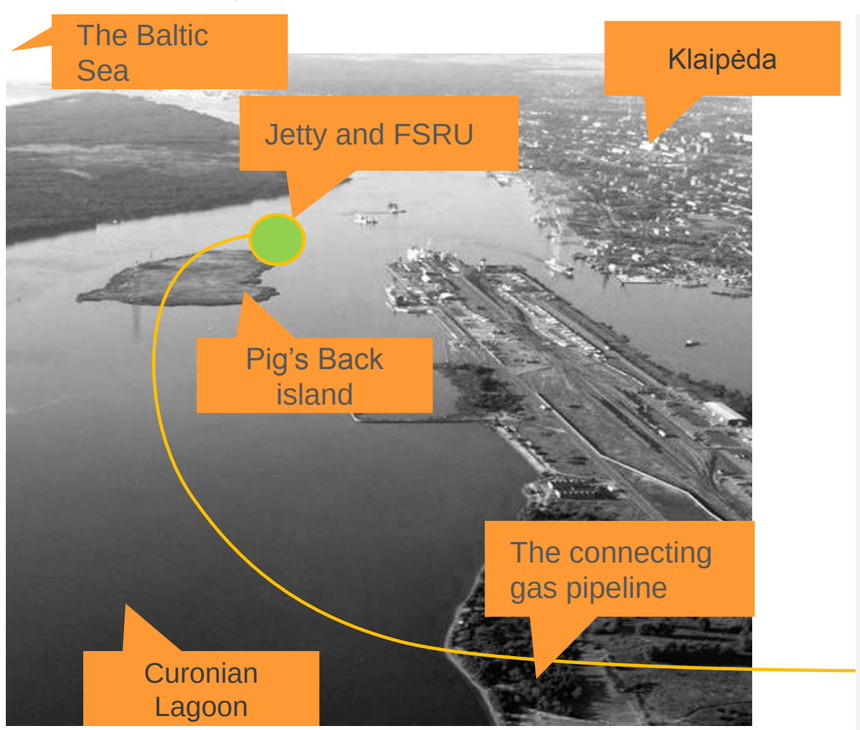
a) 50 per cent lower capital investments;

b) 2 year shorter period for project implementation;

c) more flexible technology (FSRU can be moved to another location or used as LNG carrier).

- In 2010 by decision of interdepartmental work groups, the most appropriate underlying location of the LNG terminal was chosen – the southern part of Klaipeda seaport Pigs Back's island.

Geographical location



Onshore terminal

- Comparably expensive (LTL 900-2.600 million);
- Long construction period – (5-7 years);
- Too few possible geographical locations because of specialties of Lithuanian shore.
- Higher impact on the environment.

FSRU

- Lower costs (avg. LTL 520-790 million);
- Faster manufacturing period (1-3 years);
- Flexible and easily expanded capacity;
- More geographical places available;
- FSRU might be used as LNG carrier.

The LNG terminal in Lithuania

Impact

Third party access will spur competition

The terminal will help to **diversify** energy sources

Ensures **security** of energy supply

Import prices will reflect the **global** market price level

Optimal infrastructure decisions

OPEX

CAPEX

FSRU construction and maintenance contract

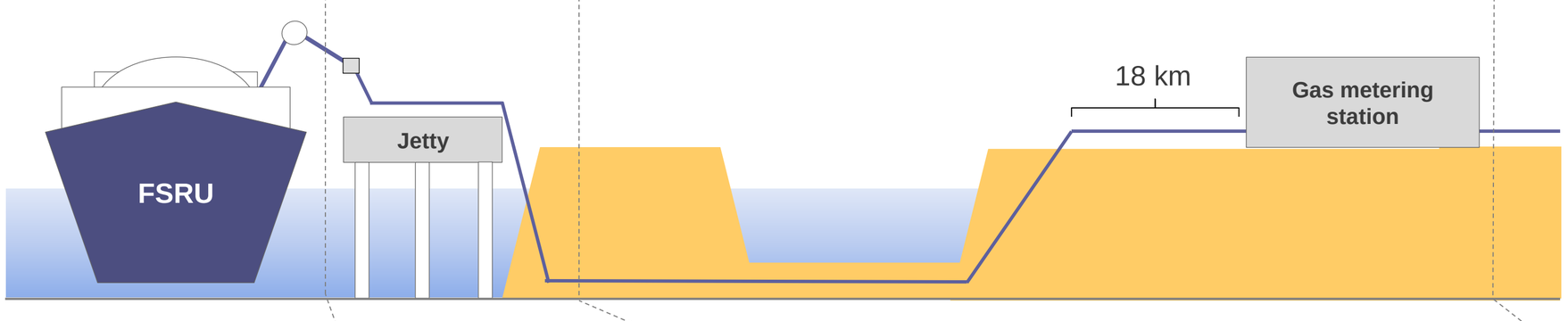
Contractor:
Höegh LNG Limited

Jetty construction contract

Contractor:
BMGS AS

Connecting pipeline with main gas pipeline construction contract

Contractor:
PPS Pipeline Systems GmbH



FSRU
Floating Storage and Regasification Unit acquisition and delivery in Klaipeda port and connecting to the gas pipeline.

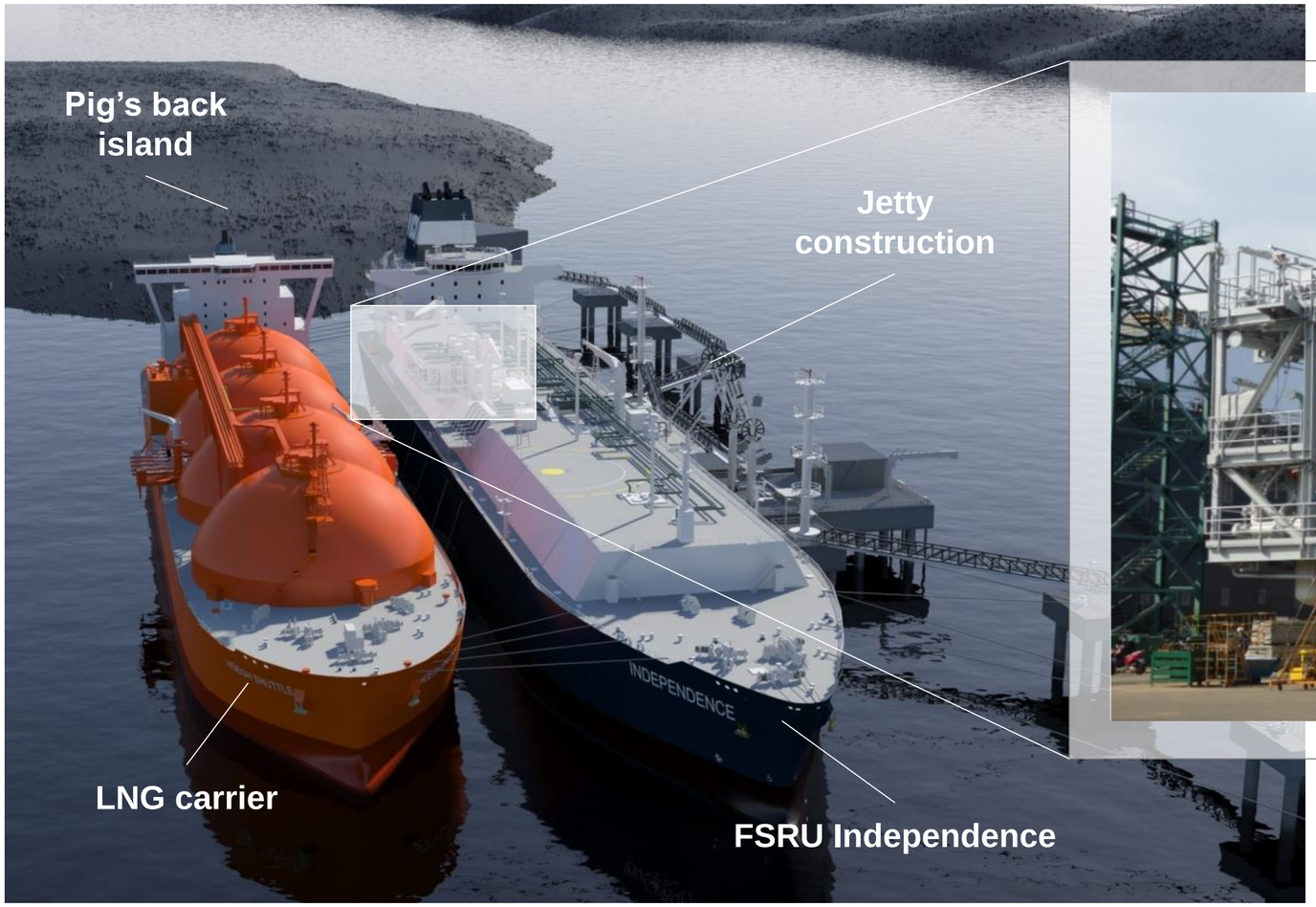
Jetty
Port infrastructure adoption for the LNG terminal.
(port dredging, jetty construction, installation of the equipment)

Pipeline
LNG terminal gas pipeline connection with the master pipeline (18 kilometers long high pressure pipeline laying to the master pipeline in inland part and 3 kilometers gas pipeline laying under the Curonian Lagoon by the horizontal directional drilling – HDD method)

Šaltinis: Projekto techninė dokumentacija

FSRU leasing contract

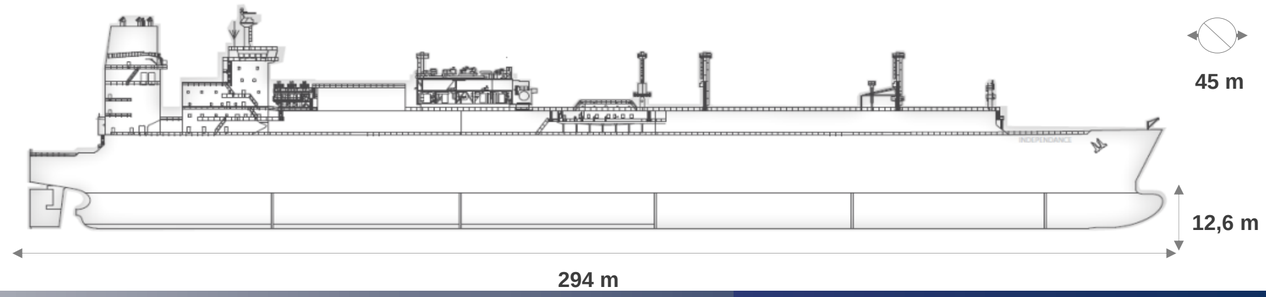
- Höegh LNG Limited who won the public tender builds one the most modern FSRU in the World – „Independence“.
- The agreement – „turn key“, i.e., Höegh is obliged to build, test FSRU as LNG carrier, deliver it to Klaipeda and test FSRU as a terminal + 10 years activity service.



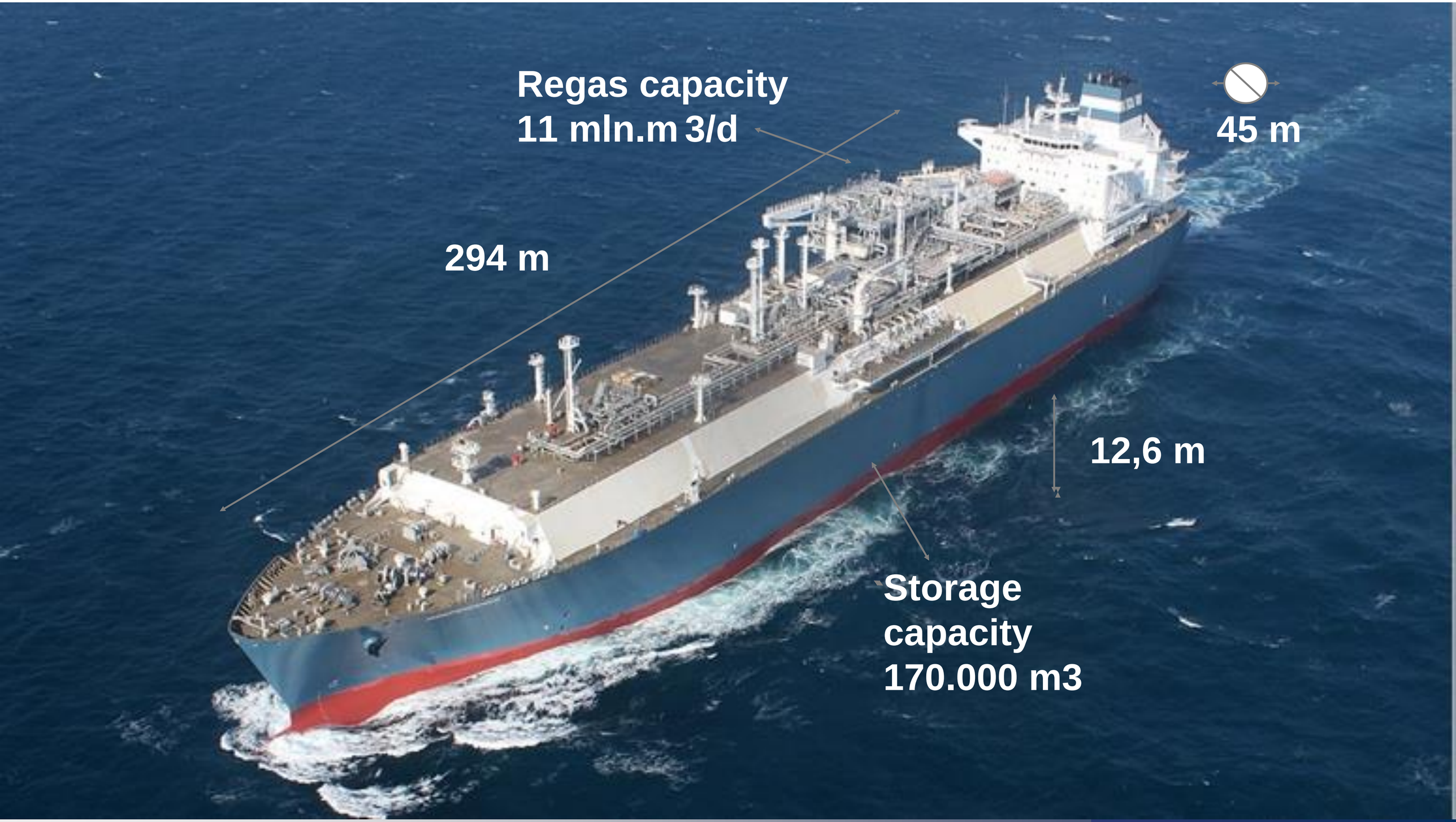
Regasification unit

Technical specifications:

Location	South of the Klaipeda State port
Supplier	Höegh LNG
Storage capacity	170 000 m^3
Annual capacity	Up to 4 billions gas in regasified form



FSRU leasing contract



Jetty construction: pictures from the construction site

Piles digging

Piles concreting

Jetty platforms concreting

Jetty platforms concreting

Jetty investments: main equipment

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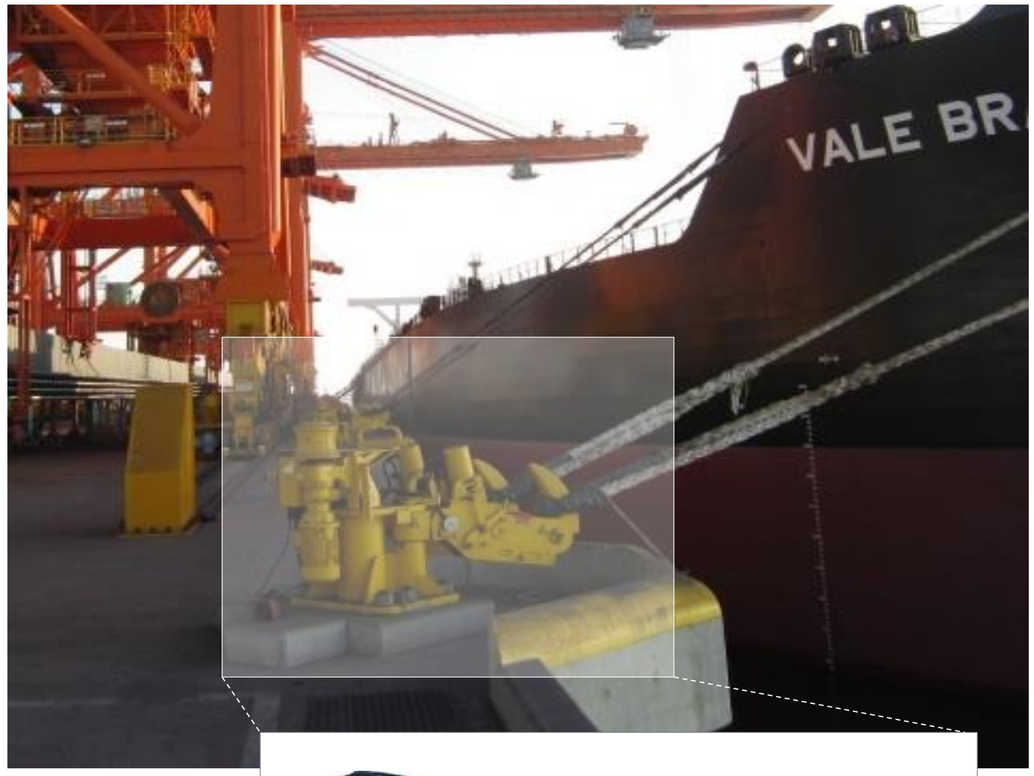
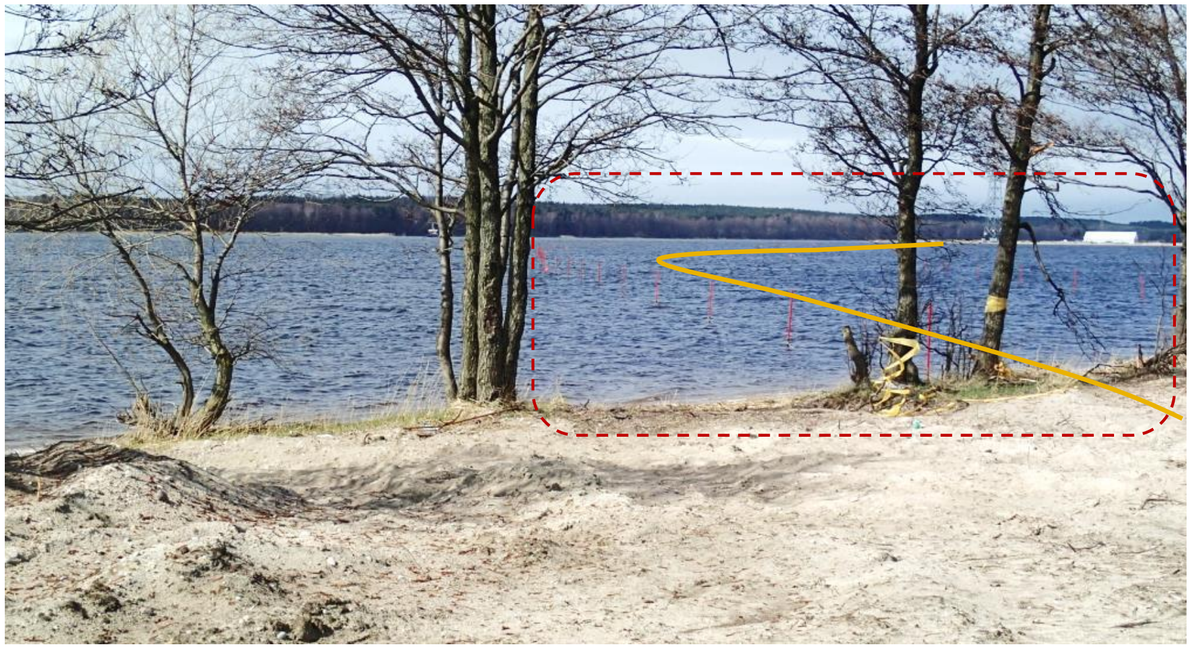
High pressure arm

Connection hooks



Gas pipeline construction: pictures from the construction sites

HD drilling pathway



Gas pipeline trace

Gas metering station construction

Gas pipeline trace

LNGT project:
Financing needs and sources

AB “Klaipėdos nafta” (KN)

LNG terminal infrastructure

Financing and guarantees ~LTL 600M	Financing and guarantees sources	Pledges/guarantees for the banks
$50M FSRU leasing guarantee	**$50M** Commercial bank guarantee	❖ Pledge of the receivable trade debts (from 2015 years)
LTL 450M ✓ Project organization ✓ Terminal connection with the pipeline ✓ Equipment construction on the jetty ✓ Working capital	**LTL 280M** Loan from EIB (20 yrs)	❖ State guarantee
	LTL 120M Loan from NIB (20 yrs)	
	LTL 50M Own cash/tarrif	

2015 year preliminary P&L of LNGT

000 EUR	2015 F
REVENUES	69.387
COS OF SALES	(60.204)
NET PROFIT	4.930
EBITDA	15.688

LNG terminal revenues structure

Income from the security supplement

The fixed costs of the LNG terminal are covered through Security supplement to the gas transmission tariff.

LNG terminal exploitation and infrastructure depreciation costs

- Depreciation (amortization) costs,
- Repair, technical maintenance and exploitation expenses,
- Staff expenses,
- Taxes expenses,
- Administrative costs,
- Marketing and sales costs,
- Other fixed costs,
- LNG terminal costs under long term contracts

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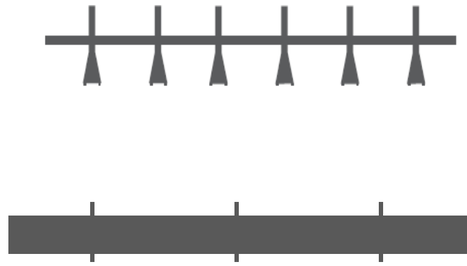

Cost of capital

- Regulated asset base (infrastructure)
- * WACC (7,09%)

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LNG reloading activity

- Tariff is set for the period of 5 years
- Received income reduces LNGT supplement of the following period

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LNGT revenues

- Security supplement is set by the National commission for energy control and prices (NCECP) for the following year according to the forecast of the LNGT exploitation costs;
- Security supplement is collected as the addition to the regasification tariff;
- For the year 2014 NCECP plans to compensate LTL 11,7 million through the LNGT supplement.

LNGT Project schedule

Start of LNGT exploitation

	2011	2012	2013	2014
FSRU	Lease agreement	Construction and delivery to Klaipėda port		
Jetty	FEED	Procurement	Jetty construction (EPC) Klaipėda sea port authority and Klaipėdos nafta	
Gas Pipeline	FEED	Procurement	Construction of gas pipeline (EPC)	
	Pipeline Jurbarkas-Klaipėda			
Procedures	EIA			
	Teritorry planing			
Project financing and guarantees	EIB loan	State guarantee		
	Financing plan development and implementation			
Regulatory development	LNGT law	Amendment of LNGT law		
	Other legislation related to LNG legal and regulatory environment			
Establishing of LNGT operator			Establishing of LNGT operator	

Thank you for your attention

Mr. Mantas Bartuška

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