



**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)**



## CONTENT

Statement of financial position.....	3-4
Statement of comprehensive income .....	5
Statement of changes in equity.....	6
Cash flow statement.....	7-8
Explanatory notes to financial statements .....	9-19
Confirmation of responsible persons .....	20



## STATEMENT OF FINANCIAL POSITION

	Notes	30-09-2019	31-12-2018
		<i>(unaudited)</i>	<i>(audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
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	-
<b>Total non-current assets</b>		<b>460,471</b>	<b>203,025</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>77,577</b>	<b>90,102</b>
<b>Total assets</b>		<b>538,048</b>	<b>293,127</b>

(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>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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
<b>Total equity</b>		<b>180,806</b>	<b>195,490</b>
<b>Non-current amounts payable and liabilities</b>			
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
<b>Total non-current amounts payable and liabilities</b>		<b>290,617</b>	<b>78,655</b>
<b>Current amounts payable and liabilities</b>			
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
<b>Total current amounts payable and liabilities</b>		<b>66,625</b>	<b>18,982</b>
<b>Total equity and liabilities</b>		<b>538,048</b>	<b>293,127</b>

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		<b>14,346</b>	<b>5,663</b>	<b>15,261</b>	<b>2,574</b>
Operating expenses		(5,402)	(1,926)	(4,178)	(1,494)
Other income		16	11	260	1
<b>Profit from operating activities</b>		<b>8,960</b>	<b>3,748</b>	<b>11,343</b>	<b>1,081</b>
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>
<b>Profit before income tax</b>		<b>(4,108)</b>	<b>(6,408)</b>	<b>11,300</b>	<b>1,081</b>
Income tax income (expense)		1,768	1,526	60	69
<b>Net profit</b>		<b>(2,340)</b>	<b>(4,882)</b>	<b>11,360</b>	<b>1,150</b>
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		-	-	-	-
<b>Total comprehensive income</b>		<b>(2,340)</b>	<b>(4,882)</b>	<b>11,360</b>	<b>1,150</b>
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
<b>Balance as at 31 December 2017 (audited)</b>	<b>110,376</b>	<b>3,913</b>	-	<b>9,899</b>	<b>15,929</b>	<b>43,196</b>	<b>17,031</b>	<b>200,344</b>
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)	-	-
<b>Balance as at 30 September 2018 (unaudited)</b>	<b>110,376</b>	<b>3,913</b>	-	<b>10,750</b>	<b>15,929</b>	<b>42,345</b>	<b>11,360</b>	<b>194,673</b>
<b>Balance as at 31 December 2018 (audited)</b>	<b>110,376</b>	<b>3,913</b>	-	<b>10,750</b>	<b>15,929</b>	<b>42,945</b>	<b>11,577</b>	<b>195,490</b>
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)
<b>Balance as at 30 September 2019 (unaudited)</b>	<b>110,476</b>	<b>3,913</b>	<b>(267)</b>	<b>11,038</b>	<b>15,929</b>	<b>42,057</b>	<b>(2,340)</b>	<b>180,806</b>

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>
<b>Cash flows from operating activities</b>			
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
		<b>41,964</b>	<b>21,881</b>
<b>Changes in working capital</b>			
(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
		<b>42,710</b>	<b>20,183</b>
Income tax (paid)		(731)	(943)
Interest received	19	52	40
Net cash flows from (used in) operating activities		<b>42,031</b>	<b>19,280</b>
<b>Cash flows from investing activities</b>			
(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		<b>(39,361)</b>	<b>55,470</b>

## 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>
<b>Cash flows from financing activities</b>			
(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		<b>(36,790)</b>	<b>(17,151)</b>
<b>Net increase (decrease) in cash flows</b>		<b>34,120</b>	<b>57,599</b>
<b>Cash and cash equivalents on 1 January</b>	11	<b>73,238</b>	<b>16,747</b>
<b>Cash and cash equivalents on 30 September</b>	11	<b>39,118</b>	<b>74,346</b>

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
<b>Total</b>	<b>380,952</b>	<b>100.00</b>	<b>380,606</b>	<b>100.00</b>

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

#### 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)
<b>Profit from operating activities</b>	<b>1,486</b>
<b>Finance costs:</b>	
Interest	(1,625)
(Losses) from currency exchange	(11,372)
<b>Profit before income tax</b>	<b>(11,511)</b>
<b>Profit tax:</b>	
Change in deferred income tax	1,727
<b>Profit for the period</b>	<b>(9,784)</b>

#### 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 on 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
<b>Balance at the beginning of the period</b>	<b>4,642</b>	<b>4,006</b>
Received during the year	1,760	893
Amortisation	(273)	(156)
Compensation of costs	-	(54)
Written-off	-	(47)
<b>Balance at the end of the period</b>	<b>6,129</b>	<b>4,642</b>
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