



**AB KLAIPĖDOS NAFTA**

**LONG-TERM CORPORATE  
STRATEGY FOR THE PERIOD  
2023-2050**

June 2023  
Vilnius



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## TERMS AND ABBREVIATIONS

TERM/ ABBREVIATION	DEFINITION
<b>CAPEX</b>	Capital expenditure
<b>CCS</b>	Carbon capture and storage
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>ESG</b>	Environmental, social and governance
<b>FSRU</b>	Floating storage and regasification unit
<b>GHG</b>	Greenhouse gases. Gases in the earth's atmosphere that trap heat.
<b>Hydrogen carriers</b>	The chemical element produced using hydrogen, or capable of absorbing or releasing hydrogen, such as ammonia, methanol, or synthetic methane.
<b>KN</b>	AB „Klaipėdos nafta“
<b>KPI</b>	Key performance indicator
<b>KOT</b>	Klaipėda oil terminal
<b>LT</b>	Lithuania

TERM/ ABBREVIATION	DEFINITION
<b>Liquid energy</b>	Liquid energy refers to the fuel or energy carrier, derived from either fossil or renewable sources, that is stored, transported, or managed in a liquid state. This includes refined oil products, feedstock utilized in refining processes, chemical substances, biofuels, synfuels, hydrogen carriers, and similar commodities.
<b>LNG</b>	Liquefied natural gas
<b>Long term</b>	Period until 2050
<b>Medium term</b>	Period until 2040
<b>New energy</b>	Energy source other than fossil fuels
<b>O&amp;M</b>	Operations and maintenance
<b>PL</b>	Poland
<b>RES</b>	Renewable energy sources
<b>Short term</b>	Period until 2030
<b>SOT</b>	Subacius oil terminal
<b>ssLNG</b>	Small scale liquefied natural gas terminal (LNG reloading station)



## FOREWORD

KN envisions to be at the forefront of the energy transformation, empowering our customers to meet their sustainable growth objectives and maintain long-term competitiveness by providing them with essential energy resources. We aim at playing a pivotal role in enabling a sustainable energy future while supporting the success and resilience of our customers.

KN future extends beyond the realms of oil products or natural gas. The company is ready for the major challenge of transforming operations into a climate-neutral business by 2050, to shift away from fossil fuels to other forms of energy, and, at the same time, to continue the successful creation of value in the energy sector, both in terms of energy security and financial

return for shareholders and Lithuania at large. KN is ready to take part in the energy transformation of Lithuania and the region, but also share our accumulated know-how and competence globally.

In this context, we need to look well ahead, enhance our current business model in order to ensure competitive advantage and greater profitability of our activities in the future. Success of the new strategy will predicate on KNs ability to generate profitable growth through current core businesses, in parallel building capabilities in new energy and monitoring industry progress.

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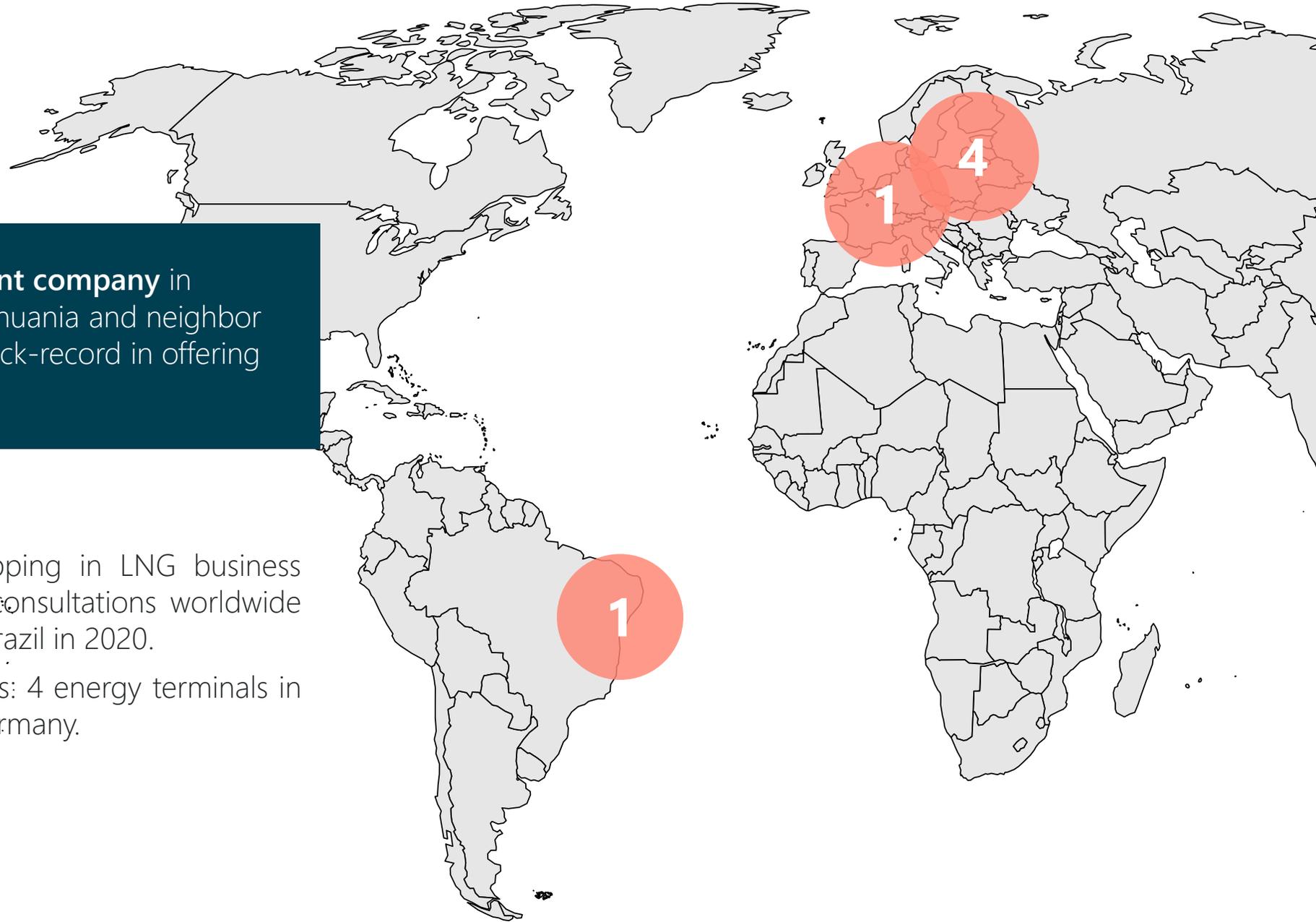
CURRENT  
STATE



## ABOUT KN

**KN is a strategically important company** in terms of energy security for Lithuania and neighbor regions and shows a strong track-record in offering its expertise worldwide

- Operating since 1959.
- Major strategic shifts: stepping in LNG business locally in 2014, launching consultations worldwide in 2016 and operations in Brazil in 2020.
- Current scope of operations: 4 energy terminals in Lithuania; 1 in Brazil; 1 in Germany.
- >340 employees.



# GROUNDS FOR THE FUTURE

KN has more than **60 years** history in liquid energy handling and storage – a capability that provides a strong foundation to continue improving on current operations as well as explore opportunities in growth areas



Advanced liquids energy terminal in Klaipėda with high flexibility of handling a variety of products



High competencies in LNG terminal operations with focus on FSRU LNG facilities



Strategic location in Klaipėda Port for current & new energy sources such as carbon capture and hydrogen carriers



Established partnerships regarding new energy businesses



Strong operating cash flow due to revenues in diversified business streams



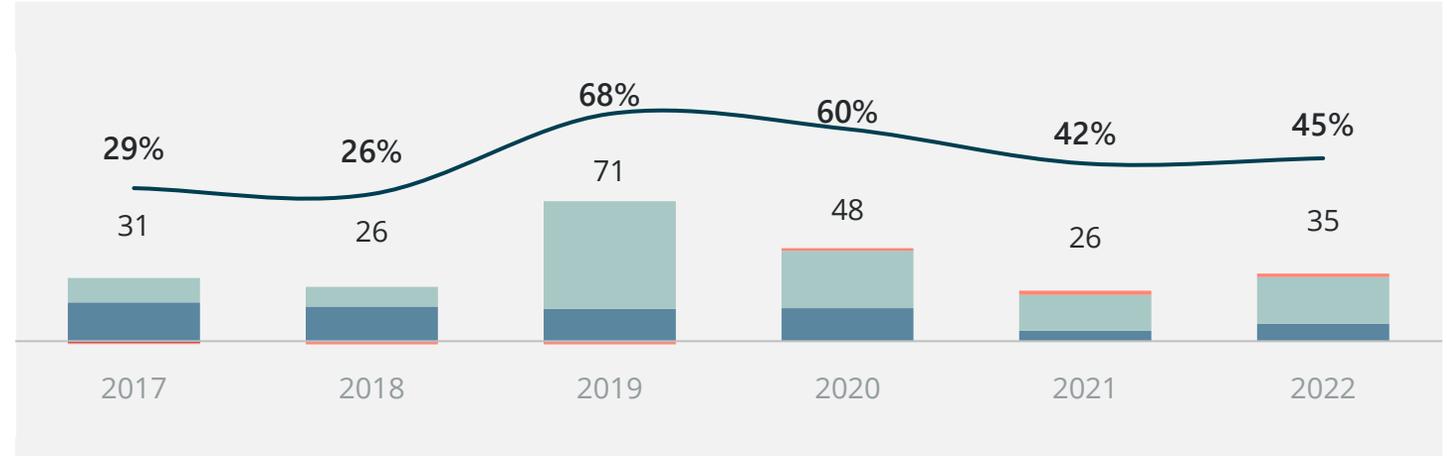
Strong player in global LNG terminals business: established network of FSRU owners and LNG traders, independent multi-user FSRU terminal operator and co-investor

## LNG GREATEST PROFITABILITY DRIVER SINCE 2017

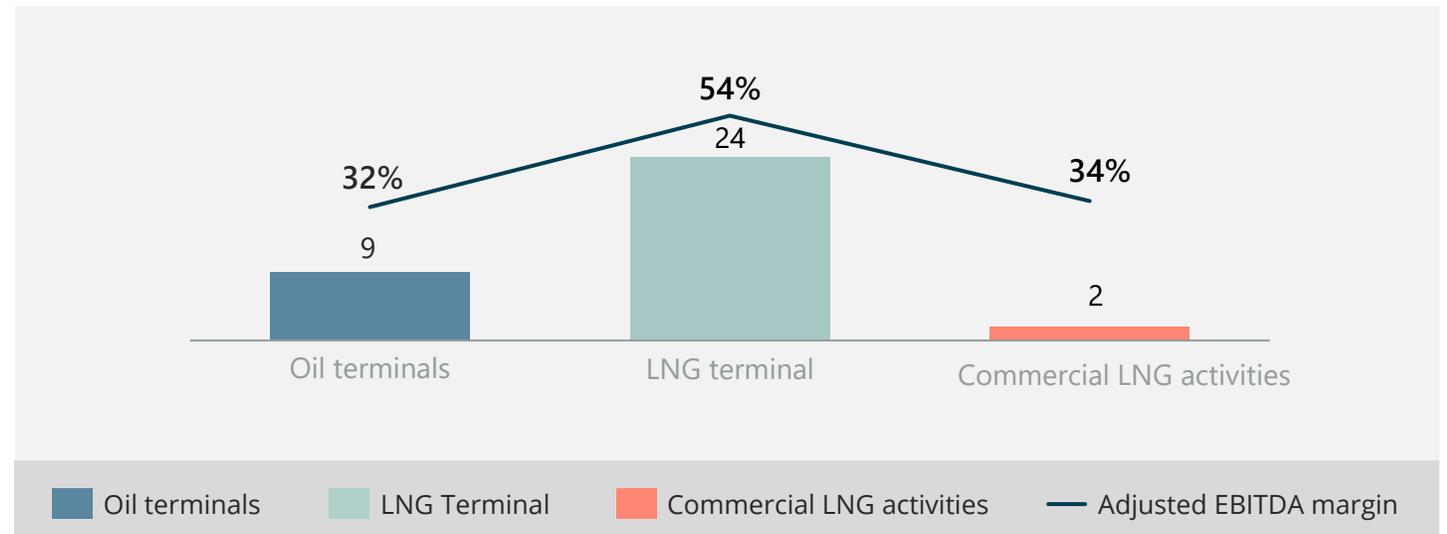
The Group maintained a strong average EBITDA margin of **45.2%** in the period of 2017-2022. KN Group EBITDA experienced a robust surge of **35%** in 2022 compared to the previous year.



GROUP EBITDA AND EBITDA-% BY SEGMENT, 2017-2022 (€M)



GROUP EBITDA AND EBITDA-% BY SEGMENT 2022 (€M)

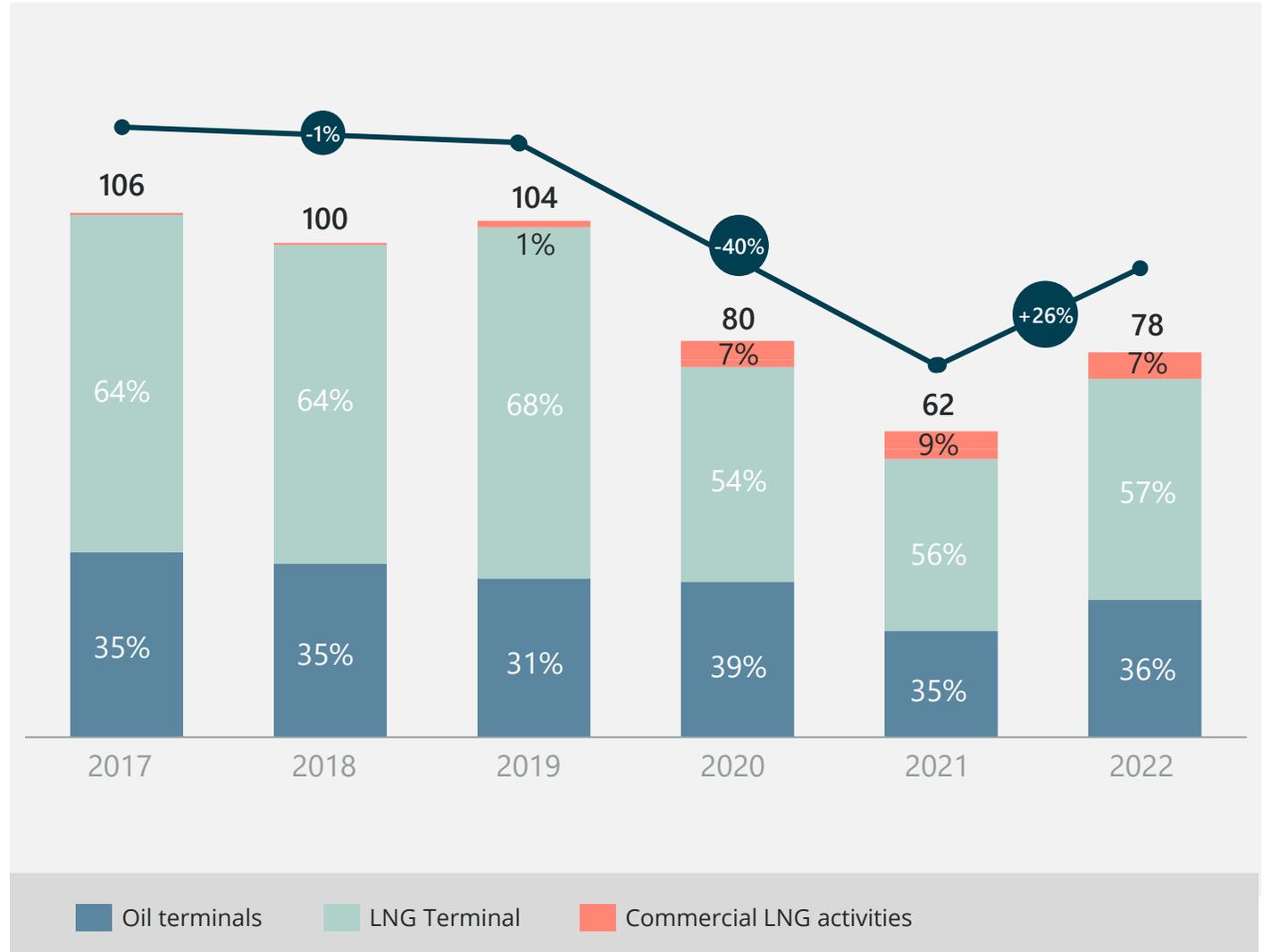


## SUCCESSFUL DIVERSIFICATION RESULTED IN REVENUE RECOVERY

Even in turbulent times KN made a significant breakthrough and assured revenue recovery in 2022 (+26%, '21-'22)



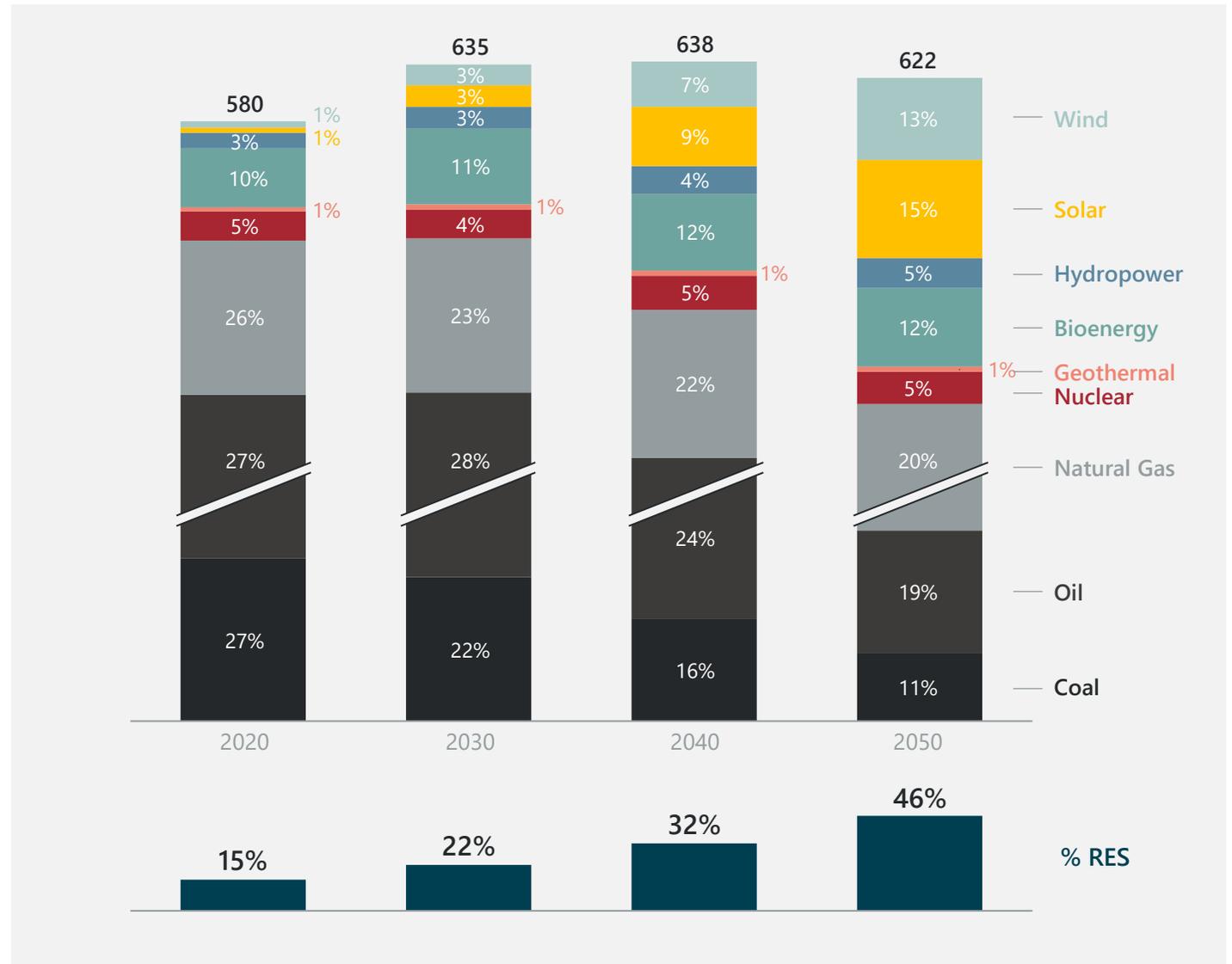
GROUP REVENUE BY SEGMENT, 2017-2022 (€M)



## OIL AND GAS WILL REMAIN RELEVANT ENERGY SOURCES GLOBALLY UNTIL 2050

- Global **energy mix** is projected to **transform towards renewable energy with a ~50% share in 2050**
- Within renewable energy, **solar (+11% '19-'50) and wind (+10% '19-'50)** are the fastest growing segments that are projected to make up **~30% of energy mix by 2050**
- **Oil and natural gas** although at a declining share, are projected to make **~40% of energy mix in 2050** (compared to 53% in 2020)

GLOBAL PRIMARY ENERGY SUPPLY BY FUEL 2020-2050 (EJ)



An aerial night photograph of a large offshore supply vessel docked at a pier. The vessel is illuminated with bright lights, and its complex structure, including cranes and deck equipment, is clearly visible. The water reflects the lights, and the background shows a city skyline with lights and smokestacks under a dark, cloudy sky. A dark teal overlay covers the left side of the image, containing the text '2 STRATEGY 2050'. A diagonal orange bar is in the bottom right corner.

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STRATEGY  
2050

## VISION

KN envisions a world where sustainable liquid energy as well as chemicals and feedstock solutions empower industries and communities, creating a cleaner, safer, and more prosperous future for all.

We strive to be at the forefront of this transformation, continuously innovating and expanding our portfolio of services to support the global energy transition and achieve climate neutrality by 2050.

## MISSION

Enabling safe and reliable liquid energy as well as chemicals and feedstock flows for customers in the Baltic Sea region by

- **Offering storage and transshipment solutions** for a variety of liquid energy products, chemicals, and feedstocks for consumption in the region and export into the global market
- **Enabling the decarbonization of the region** by focusing on sustainable solutions and energy carriers
- **Providing national energy security** to the Lithuanian state for both liquid energy and electricity

Supporting customers globally with knowledge and capabilities in the development and operations of LNG or other sustainable energy infrastructure projects

## KN IS ABOUT TO EMBARK ON A TRANSFORMATIVE JOURNEY SPANNING UNTIL 2050



### SETTING THE FOUNDATION

- **Improve value proposition** to strengthen cashflows and expand market for liquid products transshipment towards Southwest
- **Scale up global LNG terminals business activities**
- Set the **foundations for new energy businesses** by acquiring the right capabilities and develop pilot projects
- **Consider ssLNG terminal strategy** to generate additional cash for investments in new energy business

### COMMERCIALIZING NEW ENERGY

- Shift focus on **commercialization** of pilot projects in **carbon transshipment and energy storage**
- **Turn global LNG terminals business into a larger revenue and margin contributor**
- **Maintain business and improve operations** for LNG and liquids terminal, both for oil products and renewables handled at the terminal
- **Capitalize on hydrogen carriers** opportunities that become more pronounced in this period and investigate further opportunities in wind energy generation (e. g. power-to-gas)

### EXPANDING THE FOOTPRINT

- Take decision on **future of FSRU in Klaipėda**
- **Expand footprint of renewables** further into the wider region
- **Shift focus** of liquid energy terminal further towards renewables
- **Evolve global LNG terminals business activities** in accordance with market shift

# FOCUS ON A TIMELY TRANSITION TO NEW ENERGY WITHOUT CAUSING SIGNIFICANT DISRUPTIONS



## CASH-FLOW POSITIVE BUSINESSES

Liquids terminals  
Klaipeda LNG terminal

- Improvement of cash-flow positive businesses will enable investments for medium- and long-term growth areas.

## MEDIUM-TERM GROWTH AREAS

Global LNG terminals business  
Diversification

- Global LNG terminals business captures growth in international LNG markets using current core capabilities
- Vertical diversification of liquid transshipment business will help to extend the market
- Diversification to capture new growth segments in the area and prepare for future business, e.g. in hydrogen carriers

## INVESTMENTS INTO NEW ENERGIES

CCS, energy storage, hydrogen carriers

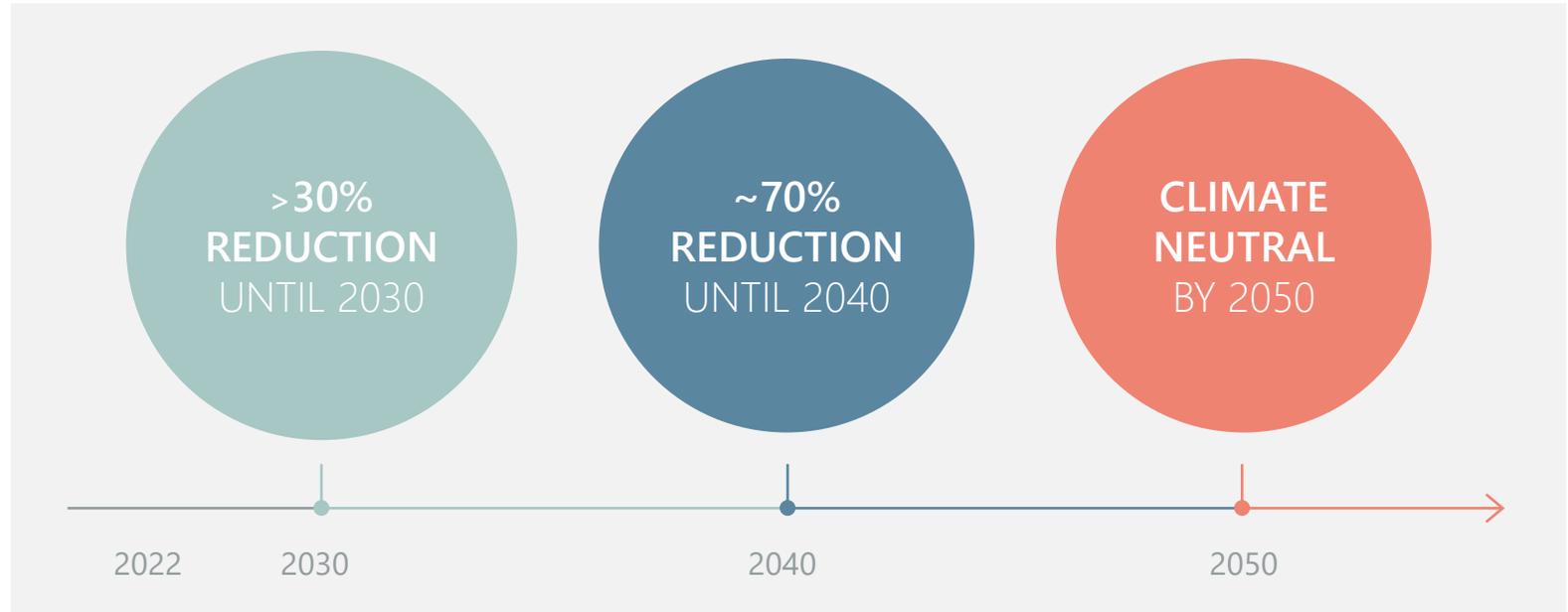
- CCS, energy storage, and hydrogen carriers aligns best with KN's capabilities and regulatory constraints
- CCS and hydrogen carriers particularly relevant for Lithuania
- Diversification of activities can reduce risk of technological and regulatory changes and improve financial performance

**STRATEGY WILL ENSURE MEDIUM-TERM GROWTH AND A DIVERSIFIED NEW ENERGY PORTFOLIO**

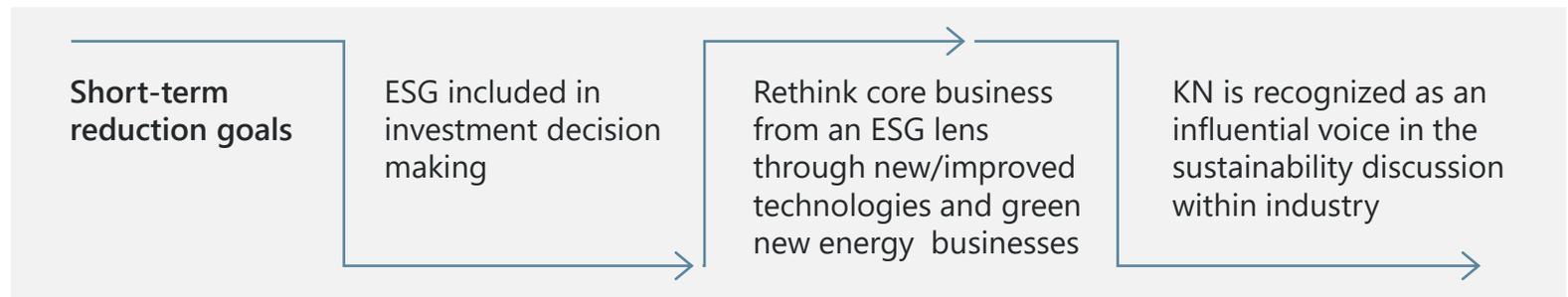
## LONG TERM APPROACH: CLIMATE-NEUTRALITY BY 2050

Our overarching environmental commitment is to improve energy and operational efficiency, reducing CO2 emissions, and transitioning towards low-carbon product portfolio to achieve climate neutrality.

### ROADMAP TO CLIMATE NEUTRALITY



### PATHWAY TO INTEGRATE ESG INTO KN'S BUSINESS

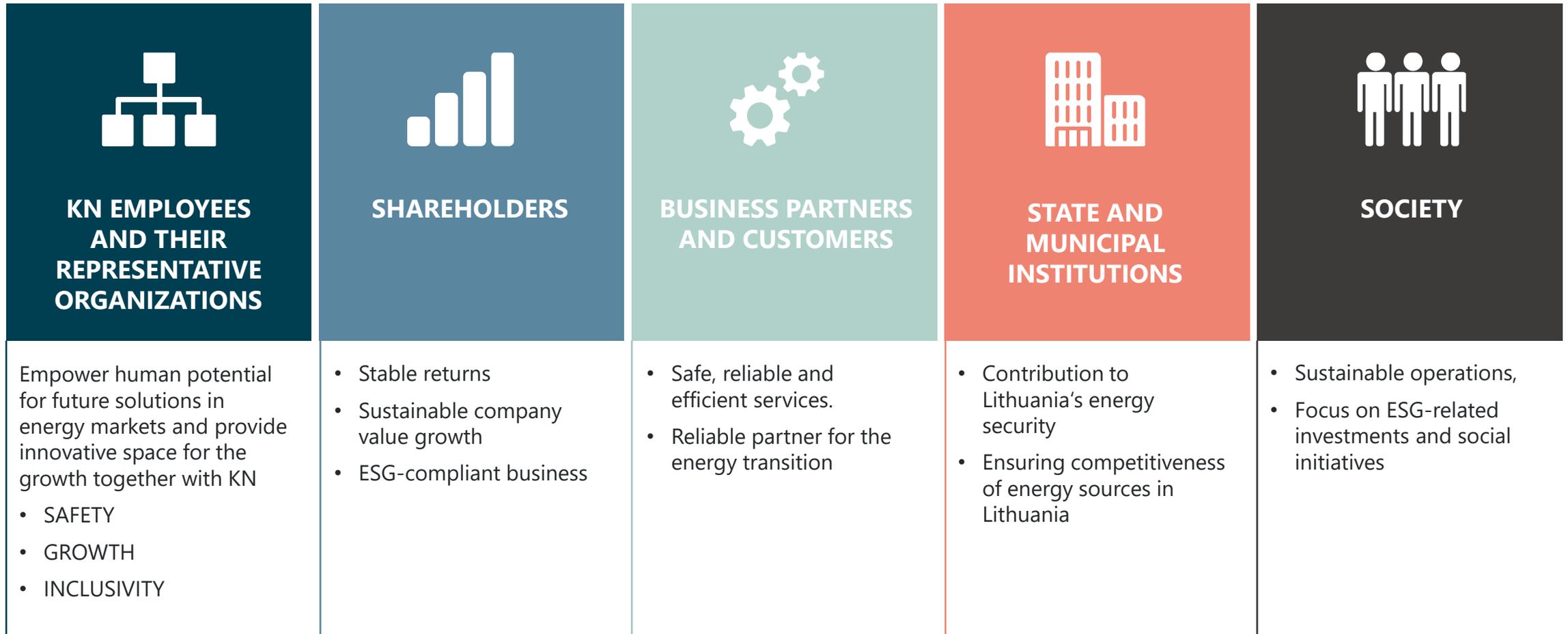


## PEOPLE: EMPOWER HUMAN POTENTIAL FOR FUTURE SOLUTIONS IN ENERGY MARKETS

KN will accelerate investment into its people, digitalization, ESG topics and ensure the continuous development of its employees and processes.



## KN'S STRATEGY IS GUIDED BY THE SHARED VALUE CONCEPT





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SEGMENTS'  
OUTLOOK

## DRIVING SUCCESS: PROFITABLE GROWTH THROUGH CORE BUSINESSES – KEY TO OUR NEW STRATEGY

Based on its 2050 vision, **KN's 2030 strategy** would aim for **improving operations** and laying the **foundation for new energy businesses**



**LIQUID ENERGY TERMINAL**  
Diversify and improve volume & profitability

**LNG**  
Develop green solutions and focus on global business

**NEW ENERGIES**  
Lay the ground for a green transition in the region

Prepare organizational setup for transition of traditional business to new energies

Step-change in ESG activities

Invest in knowledge on new energy fields

Digitalize business processes to be ready for the future



**AIM TO INCREASE REVENUES >50% BY 2030 AND LAY FOUNDATIONS FOR NEW ENERGY BUSINESSES**



**BUSINESS & SOCIAL EXCELLENCE**

Reduce emissions while setting the right platform to accelerate growth in new energy businesses

## LIQUIDS ENERGY TERMINAL: DIVERSIFICATION AND IMPROVED PROFITABILITY

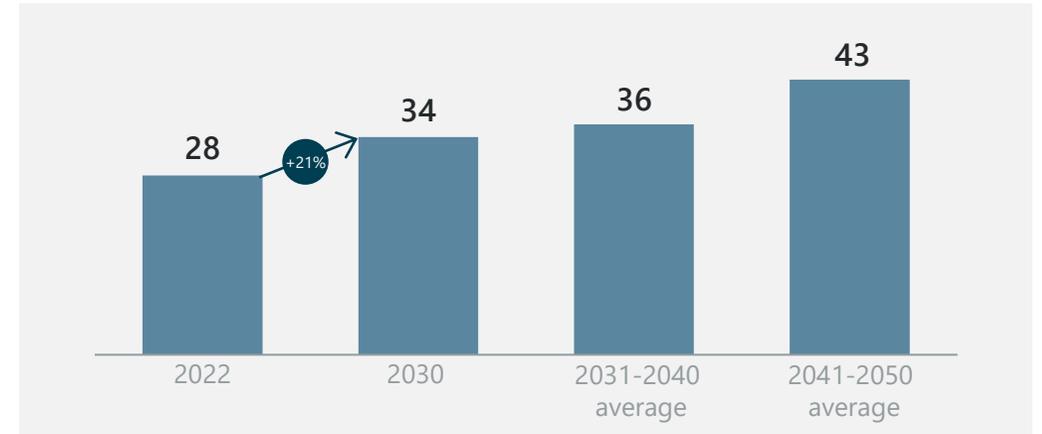
Transform conventional oil terminal to liquid energy and chemical terminal

Grow revenues and strengthen EBITDA margin by diversifying product and client portfolio, operational excellence and improving generated value for customers

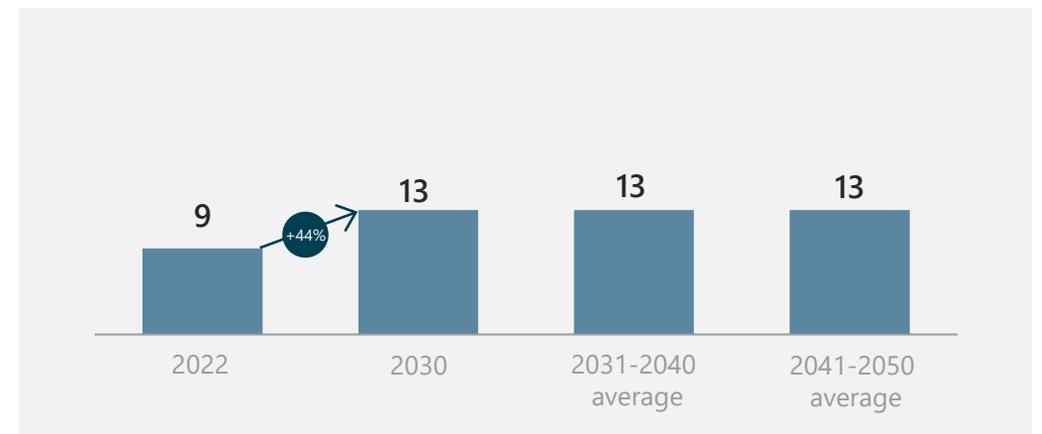
### By 2030:

1. Increase biofuels transshipment and enter market for chemicals storage and transshipment (methanol and others).
2. Ensure vertical diversification of liquid energy and chemicals transshipment business.
3. Enhance customer value proposition and operational excellence.

LIQUIDS TERMINAL REVENUE (€m)



LIQUIDS TERMINAL EBITDA (€m)



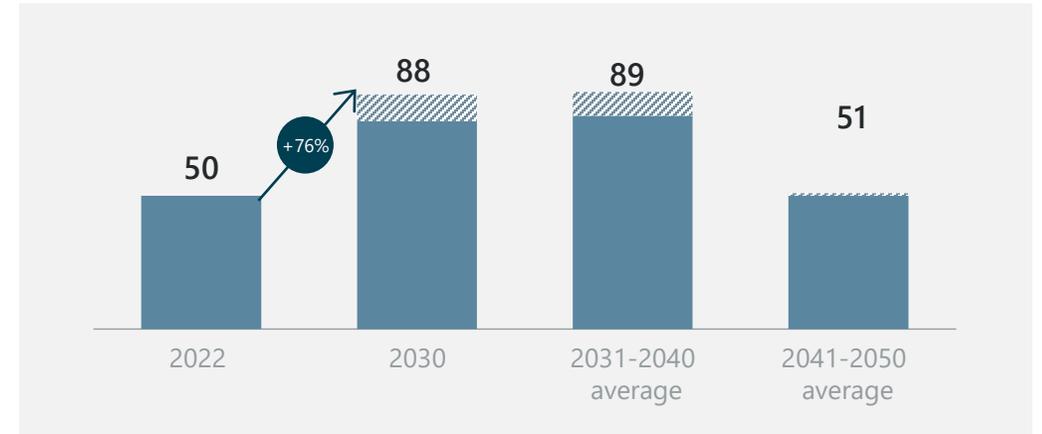
## LNG : CAPITALIZING ON THE MOMENTUM AND EXPANDING GLOBAL FOOTPRINT

Focus on value creation in regional LNG business while capturing short-term growth in global LNG market.

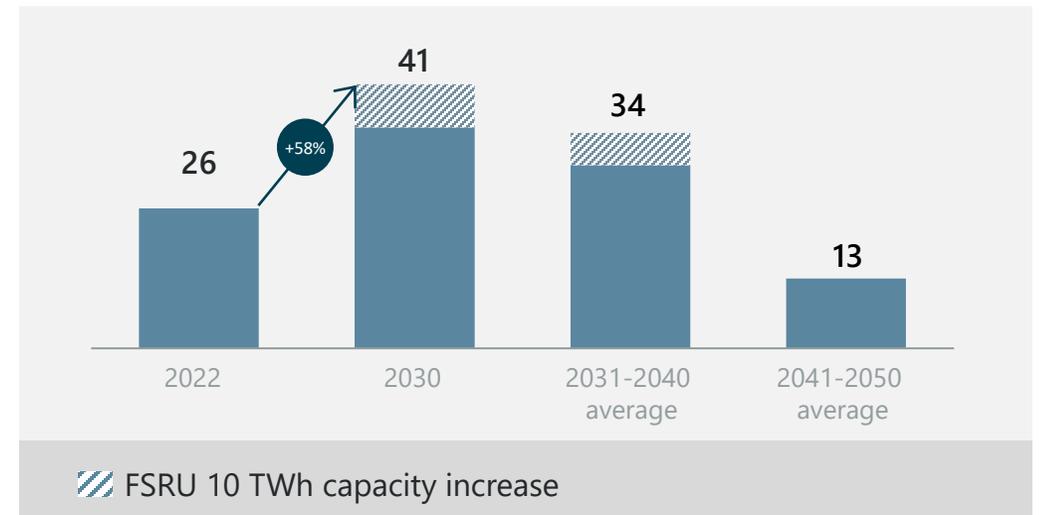
### By 2030:

1. Review Klaipėda LNG terminal regasification capacity based on market demand.
2. Offer additional services and enhance value proposition of Klaipėda LNG hub.
3. Assess ssLNG terminal strategy.
4. Expand floating LNG footprint in growth markets (1-2 new investments; 3 additional O&M contracts).

LNG REVENUE (€m)



LNG EBITDA (€m)



## NEW ENERGIES: ENTER THE NEW ENERGIES MARKETS

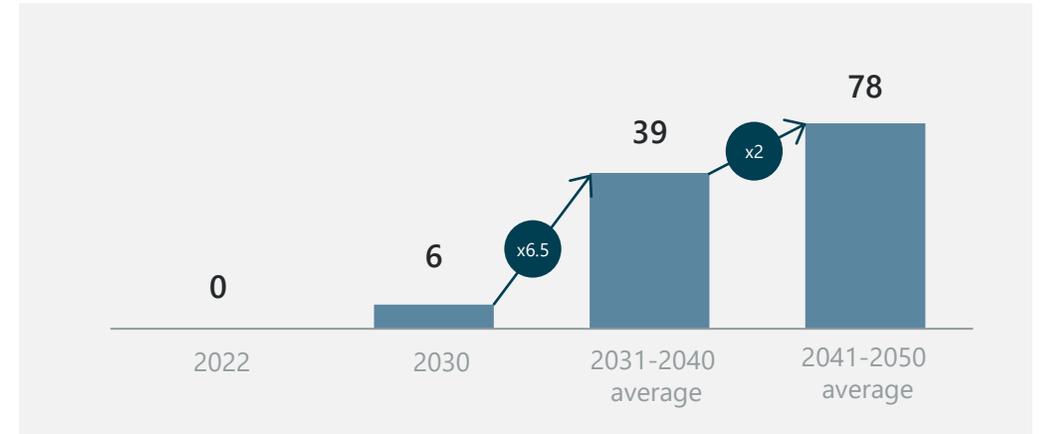
Capturing opportunities in the new energies will contribute to the green transition of the economy

Investments into new energies are substantial for KN to develop new capabilities in this business segment

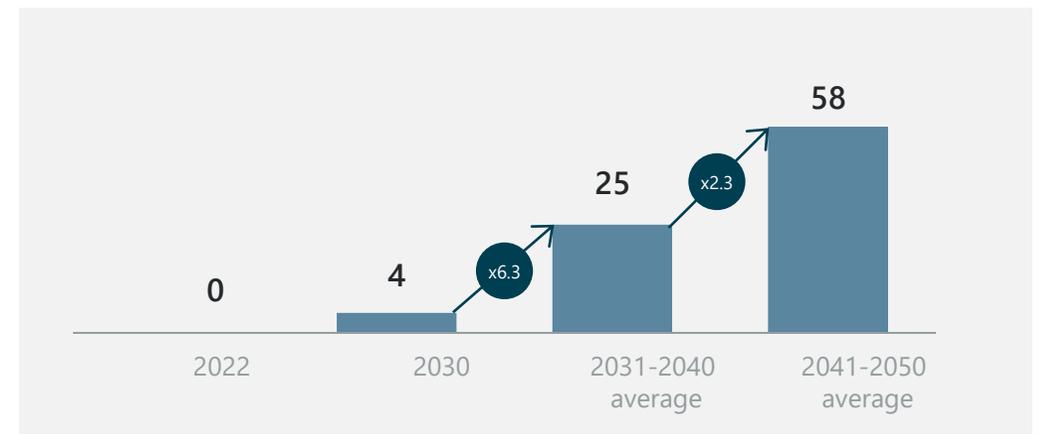
### By 2030:

1. Develop at least 3 mature business cases to enter transshipment and storage market of hydrogen carriers.
2. Build a CO2 storage and transshipment business to manage and reduce carbon emissions.
3. Establish a battery pilot project in the region and develop a sustainable business model for KN to enter the energy storage/ balancing market.

NEW ENERGIES REVENUE (€m)



NEW ENERGIES EBITDA (€m)



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FINANCE



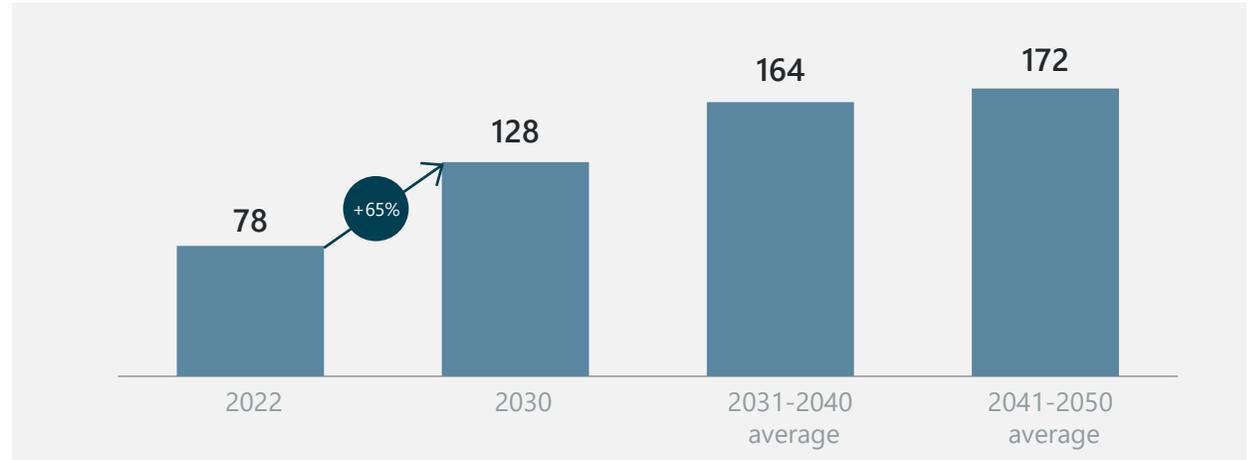
## LONG TERM TARGET FINANCIAL KPIs

Targeted **long-term ROCE** of ~8%, a significant **increase** from 4.4% in 2022.

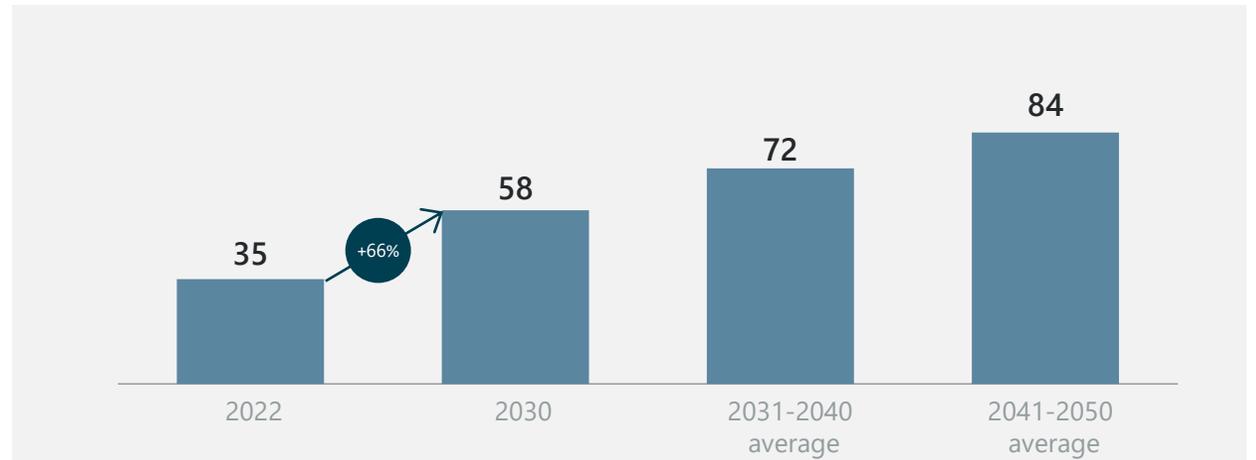
### LONG TERM FINANCIAL GROWTH TARGETS (FROM 2022)

	2030	2040	2050
Revenue growth	65%	138%	122%
EBITDA growth	66%	143%	172%
EBITDA margin	45%	46%	55%

### GROUP REVENUE (€m)



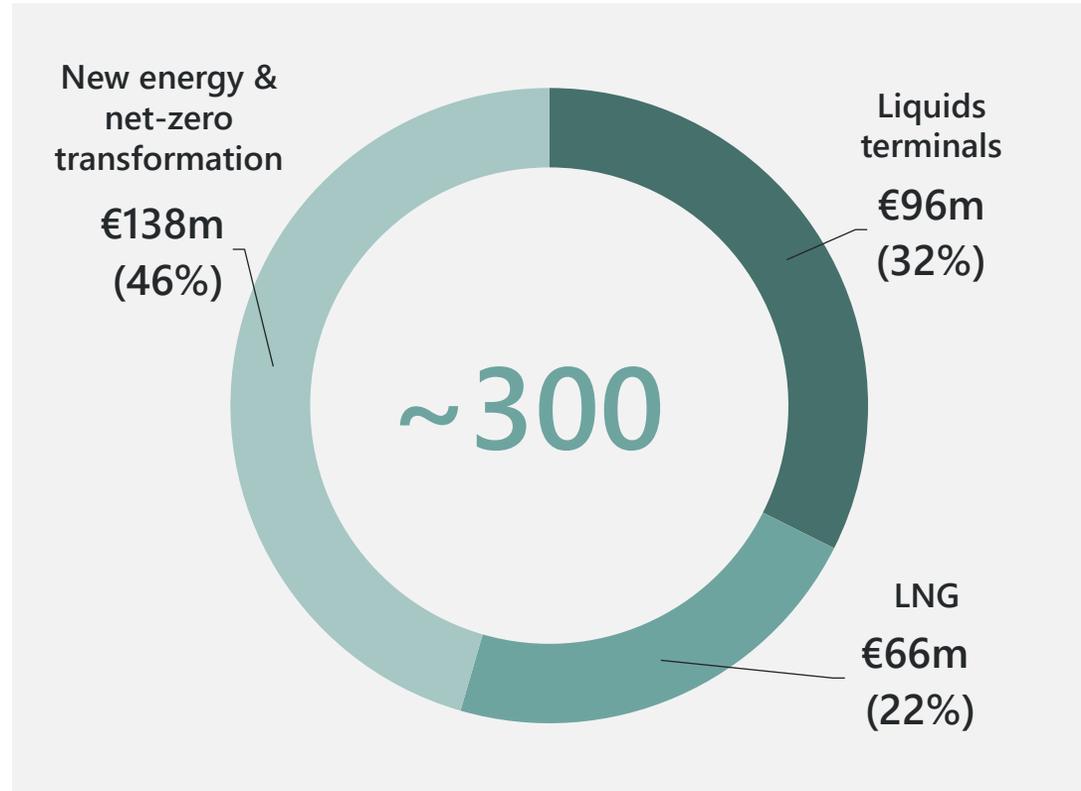
### GROUP EBITDA\* (€m)



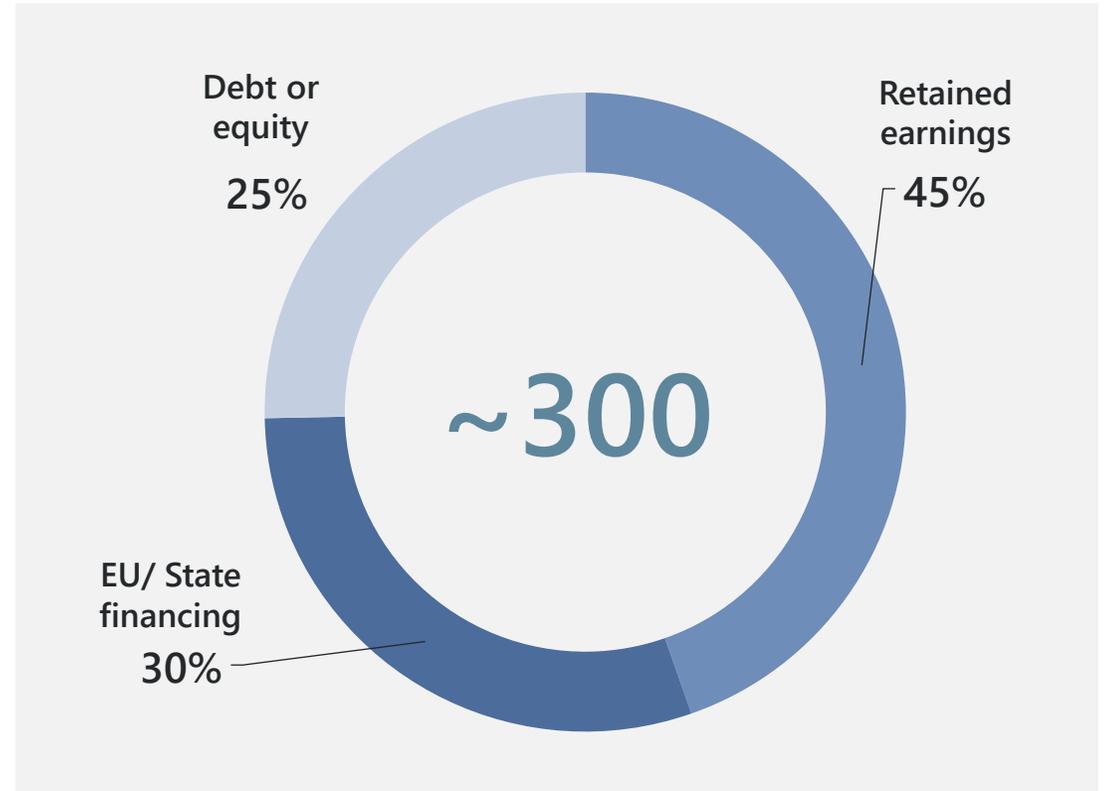
## OVER 45% OF THE CAPEX UNTIL 2030 ARE TOWARDS NEW ENERGY BUSINESSES AND REDUCTION OF EMISSIONS INTENSITY

Investments in €m, excluding FSRU INDEPENDENCE acquisition of ~€140m financed by debt

WELL BALANCED INVESTMENTS INTO CORE BUSINESS SEGMENTS UNTIL 2030



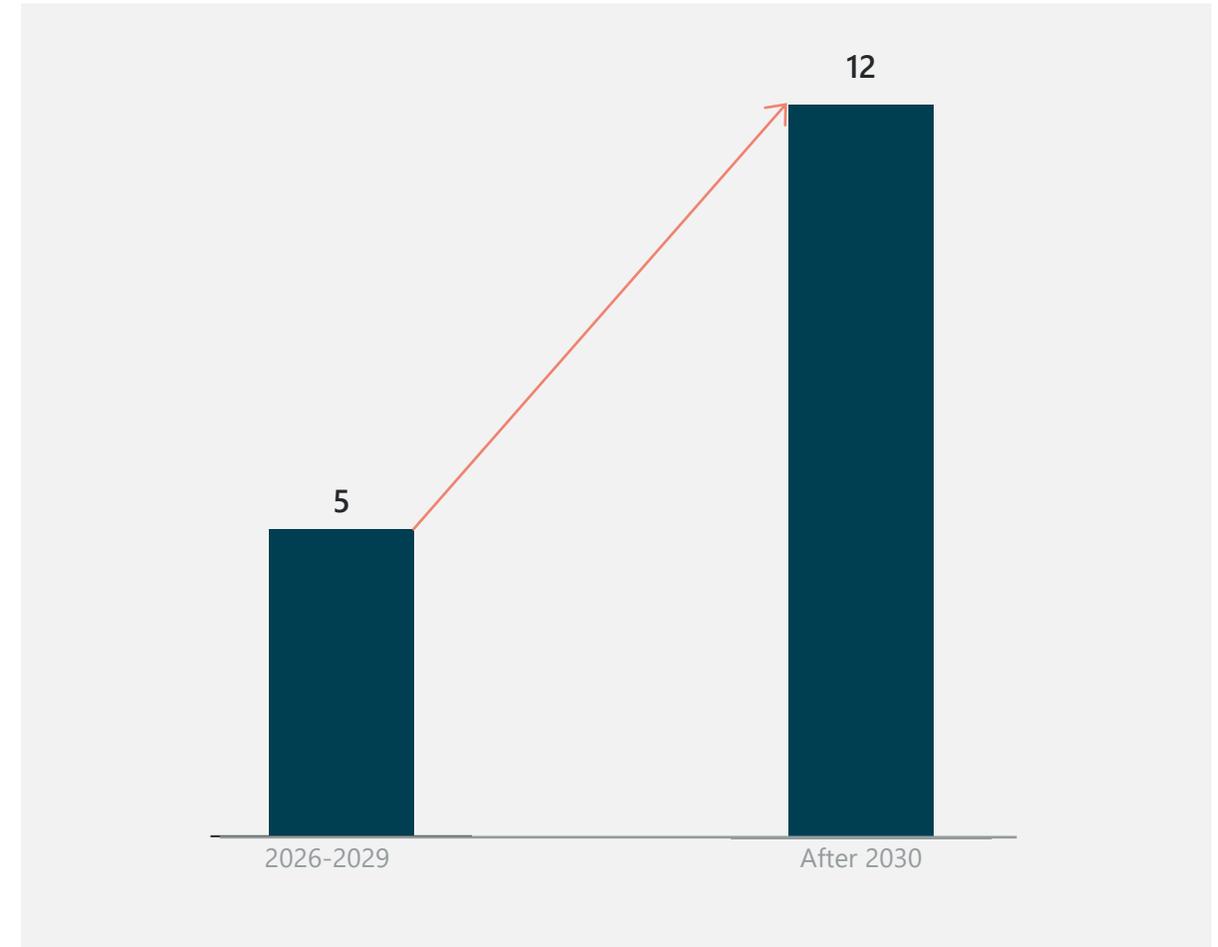
AIM TO ATTRACT 30% OF INVESTMENTS BY EU/STATE FINANCING



## DIVIDENDS ARE FORECASTED TO MORE THAN DOUBLE BY 2030

- KN targets to pay the **minimum** annual **dividends of €5m** starting from 2026, i.e., targeting a **~5% dividend yield**.
- **Total dividends** for 2031-2050 are forecasted to amount to at least **€240m**.

### TARGETED MINIMUM ANNUAL DIVIDENDS



## WHY DO WE BELIEVE THAT OUR JOURNEY WILL BE SUCCESSFUL?



- Climate neutrality by 2050



- Lithuania's energy security
- ESG-related investments and social initiatives
- Innovative and meaningful job for KN employees



- Reliable partner for the energy transition
- Stable returns for shareholders
- Sustainable company value growth



**THANK YOU**