

**PROSPECTUS OF
KLAIPĖDOS NAFTA AB
FOR THE YEAR 2006**

**VILNIUS
2007**

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I. GENERAL INFORMATION

1. *The period for which the prospectus was drawn up.*

The year of 2006.

2. *General information about the issuer.*

| | |
|--------------------------------|---|
| Issuer name | KLAIPEDOS NAFTA AB |
| Authorized capital | 342 000 000 LTL |
| Registered office | Burių str. 19, LT-91003 Klaipėda, Lithuania |
| Telephone number | (8 46) 391 700 |
| Fax number | (8 46) 311 399 |
| E-mail | klaipedos.nafta@oil.lt |
| Website | www.oil.lt |
| Legal and organizational form | public limited liability company |
| Date and place of registration | September 27, 1994, Ministry of Economy of LR |
| Register code | 1106 48893 |
| Company registration number | BĮ 94-479 |

3. *The nature of issuer's principal activities.*

Klaipedos Nafta AB is engaged in oil transferring business. Main services provided by the company are: import, accumulation, storage and export of various oil products via Klaipėda Oil Terminal.

4. *Information about where and how one can get acquainted with the prospectus and the documents on the basis of which it was prepared.*

The prospectus and all the supporting documents are available to investors at the Klaipedos Nafta AB office, Burių str. 19, LT-91003 Klaipėda, every workday from 8 am to 4 pm.

All major material events related to the Company's activities or information about time and venue of the General Meeting of Shareholders and any other notices to the shareholders and other persons shall be announced in the daily Respublika and through the news agency BNS in accordance with the Lithuanian law.

5. *Persons responsible for the accuracy of information in the prospectus*

5.1. Members of the managing bodies of the issuer, employees and the head of the administration responsible for the prospectus on behalf of the Company:

Jurgis Ausra, KLAIPEDOS NAFTA AB Chief Executive, phone: (8 46) 391 772, fax: (8-46) 311 399.

Johana Bucienė, KLAIPEDOS NAFTA AB Chief Financial Officer, phone: (8 46) 391 636, fax: (8-46) 311 399.

5.2. Consultants helped with preparing the prospectus:

Trading and Capital Markets of SEB Vilniaus Bankas, Ltd, legal address Gedimino av. 12, LT-01103 Vilnius, phone: (370) 5-268-2687, facsimile: (370) 5-268-2683, represented by Donata Sukaityte, project manager of Capital Markets unit.

6. Declaration by the members of the issuer's managing bodies, employees, the head of the administration and the issuer's consultants or their representatives that the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.

Klaipedos Nafta AB, represented by Jurgis Ausra, the company's Chief executive, and Joahana Bucienė, Chief Financial Officer, hereby represents that information included in the Prospectus gives a true view and there are no undisclosed material facts the absence of which might influence the investors' decisions to purchase or sell the company's securities, the market price of the securities and their evaluation.

The Trading and Capital Markets of SEB Vilniaus Bankas, Ltd. represented by Donata Sukaityte, project manager of Capital Market Unit, hereby represents that complete information obtained from the Company's employees and its Management has been included into the Prospectus and it is the former responsibility to duly prepare the documents submitted to it. It is the responsibility of Klaipedos Nafta AB that said information gives a true and fair view.

Klaipedos Nafta AB Chief executive

May 16, 2007



Jurgis Ausra

Klaipedos Nafta AB Chief Financial Officer

May 16, 2007

Johana Bucienė

Project manager of Capital market unit of Unit of the Trading and Capital Markets of SEB Vilniaus Bankas AB

May 16, 2007

Donata Sukaityte

Prospectus prepared in Vilnius, May 2007

II. INFORMATION ABOUT THE ISSUER'S AUTHORIZED CAPITAL AND ISSUED SHARES

7. The issuer's authorized capital and structure.

7.1. Registered capital.

On December 31, 2006, the issuer's authorized capital was equal to 342,000,000 LTL, encompassing 342,000,000 ordinary shares, the par value of each being 1 LTL.

The structure of the Klaipėdos Nafta AB authorized capital according to the share type:

| Type and class of shares | The number of authorized shares | Nominal value (LTL) | Total nominal value | The part of the authorized capital |
|----------------------------|---------------------------------|---------------------|---------------------|------------------------------------|
| Ordinary registered shares | 342 000 000 | 1 | 342 000 000 | 100,00 |
| Total: | 342 000 000 | - | 342 000 000 | 100,00 |

All shares of the company are paid up.

7.2. Information about the projected increase of the authorized capital in connection with conversion or exchange of convertible debt securities, exchangeable debt securities or derivative securities issued.

Not intended.

8. Major shareholders

Total number of the Company's shareholders on the record day of the last general meeting of shareholders (April 12, 2007) was 1238.

Shareholders, who held more than 5% of the Company's authorized capital on 12 April 2007:

| Shareholder's names and surnames of natural persons, names of enterprises | The number of shares | The percentage of the authorized capital | The percentage of votes | The percentage of votes together with associates. |
|---|----------------------|--|-------------------------|---|
| Republic of Lithuania, represented by Ministry of Economy (Gedimino av. 38/2, Vilnius, 188621919) | 241 544 426 | 70,63 | 70,63 | 70,63 |

Remaining 100 455 574 Klaipėdos nafta AB shares (29.37 percent of the authorized capital) belong to 1237 minority shareholders.

9. Main data about the shares being issued for public offering

| Type of shares | Number of shares | Nominal value (LTL) | Total nominal value (LTL) | Released to circulation |
|----------------------------|--------------------|---------------------|---------------------------|---|
| Ordinary registered shares | 40 000 | 100 | 4 000 000 | When founding the company |
| Ordinary registered shares | 160 000 | 100 | 16 000 000 | Increasing the authorized capital by additional funds |
| Ordinary registered shares | 200 000 | 100 | 20 000 000 | Increasing the authorized capital by additional funds |
| Ordinary registered shares | 400 000 | 100 | 40 000 000 | Increasing the authorized capital by additional funds |
| Ordinary registered shares | 200 000 | 100 | 20 000 000 | Increasing the authorized capital by additional funds |
| Ordinary registered shares | 400 000 | 100 | 40 000 000 | Increasing the authorized capital by using the profit reserve |
| Ordinary registered shares | 1 403 486 | 100 | 14 034 860 | Increasing the authorized capital by additional funds |
| Ordinary registered shares | 446 514 | 100 | 44 651 400 | Increasing the authorized capital by using the profit reserve |
| Ordinary registered shares | 3 250 000 | 100 | 325 000 000 | Change of shares' normal value from 100 to 1 LTL |
| Ordinary registered shares | 17 000 000 | 1 | 17 000 000 | Increasing the authorized capital by additional funds |
| Total: | 342 000 000 | - | 342 000 000 | - |

All these securities have the same ISIN code LT0000111650

10. Main data about the shares registered and issued not for public offering.

Were not issued.

11. Main data about the issued depository certificates representing shares.

Were not issued.

12. Main data about debt securities registered and issued for public offering.

Were not issued.

13. Main data about debt securities registered and issued for private offering.

Were not issued.

14. Securities not representing capital.

Were not issued.

III. INFORMATION ABOUT SHARES ISSUED IN SECONDARY MARKET

15. Securities listed on stock exchange.

On 5 of February, 1996 Klaipedos Nafta AB shares were added to the Main list of Vilnius Stock Exchange. At the moment there are 342 000 000 ordinary shares listed, the par value of each being LTL 1, on the Main list. The ISIN code of these shares is LT0000111650.

16. Data about trades with company's securities

Prices and turnovers of Klaipedos Nafta AB Ordinary shares during the last 8 quarters:

| Period | | Price | | | Turnover (LTL) | | | Last session's date | Total turnover | |
|------------|------------|-------|------|--------------|----------------|--------|--------------|---------------------|----------------|------------|
| From | Till | Max. | Min. | Last session | Max. | Min. | Last session | | (units) | (LTL) |
| 2005 01 01 | 2005 03 31 | 1,28 | 1,13 | 1,13 | 856 773 | 14 660 | 107 923 | 2005 03 31 | 8 616 591 | 10 464 831 |
| 2005 04 01 | 2005 06 30 | 1,18 | 1,00 | 1,01 | 545 851 | 1 020 | 43 669 | 2005 06 30 | 5 568 395 | 6 067 275 |
| 2005 07 01 | 2005 09 30 | 1,24 | 1,00 | 1,19 | 1 328 088 | 0,00 | 89 152 | 2005 09 30 | 12 301 625 | 13 378 720 |
| 2005 10 01 | 2005 12 31 | 1,18 | 1,07 | 1,07 | 532 182 | 0,00 | 0,00 | 2005 12 30 | 4 379 205 | 4 973 074 |
| 2006 01 01 | 2006 03 31 | 1,10 | 0,88 | 1,00 | 9 819 577 | 0,00 | 101 400 | 2006 03 31 | 18 795 896 | 18 516 601 |
| 2006 04 01 | 2006 06 30 | 0,98 | 0,77 | 0,83 | 1 613 134 | 0,00 | 8 280 | 2006 06 30 | 8 594 344 | 7 866 765 |
| 2006 07 01 | 2006 09 30 | 0,95 | 0,79 | 0,90 | 497 706 | 0,00 | 19 170 | 2006 09 29 | 3 382 583 | 2 969 918 |
| 2006 10 01 | 2006 12 31 | 1,16 | 0,81 | 1,15 | 6 734 740 | 0,00 | 213 162 | 2006 12 29 | 24 607 746 | 24 638 157 |

Trades with the Company's shares are not executed on any other stock exchange except for the Vilnius Stock Exchange.

17. Capitalization

The capitalization of KLAIPĖDOS NAFTA AB ordinary registered shares (the ISIN code for these shares is LT0000111650) within the period of year 2005 and year 2006 is given in the table below:

| Date | Capitalization, LTL | Share Price LTL |
|------------|---------------------|-----------------|
| 2005 03 31 | 393 300 000 | 1,15 |
| 2005 06 30 | 345 420 000 | 1,01 |
| 2005 09 30 | 403 560 000 | 1,18 |
| 2005 12 31 | 365 940 000 | 1,07 |
| 2006 03 31 | 324 900 000 | 0,95 |
| 2006 06 30 | 277 020 000 | 0,81 |
| 2006 09 30 | 307 800 000 | 0,90 |
| 2006 12 31 | 372 780 000 | 1,09 |

18. OTC trades

| Period | | Settled in Cash | | | | | | Settled in kind | | Total amount |
|------------|------------|-----------------|------|---------|----------------|---------|------------------|-----------------|------------------|--------------|
| | | Price (Lt) | | | Amount (units) | Sum LTL | Number of trades | Amount (unit) | Number of trades | |
| From | Till | Max. | min. | Average | | | | | | |
| 2005 01 01 | 2005 03 31 | 0,87 | 0,30 | 0,71 | 665 401 | 469 229 | 23 | 29 644 | 2 | 695 045 |
| 2005 04 01 | 2005 06 30 | 0,88 | 0,57 | 0,69 | 267 921 | 185 418 | 17 | 347 849 | 3 | 615 770 |
| 2005 07 01 | 2005 09 30 | 1,05 | 0,49 | 0,71 | 1 304 818 | 921 088 | 18 | 31 956 | 3 | 1 336 774 |
| 2005 10 01 | 2005 12 31 | 1,15 | 0,59 | 0,76 | 804 059 | 607 482 | 29 | 6 334 | 1 | 810 393 |
| 2006 01 01 | 2006 03 31 | - | - | - | - | - | - | - | - | - |
| 2006 04 01 | 2006 06 30 | - | - | - | - | - | - | - | - | - |
| 2006 07 01 | 2006 09 30 | 0,75 | 0,57 | 0,67 | 973 300 | 653 657 | 6 | 21 000 | 2 | 994 300 |
| 2006 10 01 | 2006 12 31 | 0,78 | 0,53 | 0,59 | 524 693 | 310 012 | 16 | 328 278 | 5 | 852 971 |

19. Data about the issuer's buying up of its shares.

The Company has not bought out its own shares.

20. Submission of a tender offer.

There were no tender offers to buy issuer's shares submitted in 2006.

21. The issuer's payment agents.

The company has no agreements with any payment agent.

22. Agreements with intermediaries of public trading in securities.

On 3 May, 2000 company signed the Issuer's Service Agreement with SEB Vilniaus Bankas AB, represented by Trading and Capital Markets, Address: Gedimino av. 12, phone: +370 5 268 2687, fax.: +370 5 262 6043.

IV. DATA ABOUT THE ISSUER'S ACTIVITIES

23. Legal basis for the issuer's activities.

Klaipedos Nafta AB activities are based on:

- Public Company Law of the Republic of Lithuania,
- Law on Securities Market of Republic of Lithuania,
- Law on Markets of Financial Instruments of the Republic of Lithuania,
- Other laws of Republic of Lithuania and regulatory enactments of Government,
- Company's statute and its revisions.

24. Membership in associated structures.

Since 1999 Company is a member of Association of Lithuanian stevedoring companies. This organization is a non-profit organization whose authorized capital is made up from contributions of the member companies. This is a voluntary stevedoring companies union established with an aim of common needs fulfilling as well as representing and meeting various interests. Klaipedos nafta AB is a tantamount and competent member of the association, it does not participate in any of the fellow member's capital and none of the members of the association participate in the Company's capital.

25. Brief description of the issuer's historical background.

Company was established on September 27, 1994. The basis for the establishment is October 11, 1993 resolution of Lithuanian government No. 764 "Concerning Klaipeda's national oil company reconstruction" and July 4, 1994 resolution No. 561 "About securing the financing of Klaipeda's national oil company that is under reconstruction".

Company was established by National Klaipeda's oil company (now known as Oil Terminal), that owned 51 percent of the authorised capital, and by USA Company "Lancaster Steel Co.", which owned 49 percent of the shares.

Since 1995 Klaipedos Nafta AB started the reconstruction of the terminal, which was finished in 2002. A special attention was dedicated for ecology, fire prevention, and utilization of modern technologies for the transportation of oil and chemical products.

Today Klaipedos Nafta AB is one of the most modern terminals in Europe. World famous company British Petroleum experts annually positively evaluate Klaipedos Nafta AB terminal's ecological, fire prevention and working safety conditions and confirm that they correspond to the EU standards.

26. Characteristics of production

Since the beginning of 1997 Klaipedos Nafta AB started pursuing its main activity – oil products stevedoring services:

- Gathering, warehousing and allocating oil resources;
- Loading of oil products to and unloading from vehicles and other services connected to the loading of oil products.
- In addition, the Company executes oil products terminal's engineering, upholding and reconstruction works.

The Company also provides the following services:

- Tanker mooring services. In 2006 383 tankers received mooring services, which is 4 tankers more than in 2005. The largest tankers served were "Nancy Knutsen" and "Noemi", which were loaded 55 000 tons and 60 000 tons of oil products respectively.
- Waterworks – involves receiving and cleaning water polluted with oil products. The Company cleaned 374745 m³ of water in 2006.

The Company's main activity is stevedoring works of transit oil products that are transported through Lithuania. 5506700 tons of oil products were stevedored during the 2006, which is 6% less than in 2005.

Nomenclature of loaded oil products from 1997 to 2006:

| Year | Total (thousands t) | Composition | | | | | | | | | | | | | |
|------|---------------------|---------------|---------|---------------|---------|------------------|---------|-------------------------|---------|--------|---------|------------|---------|--------|---------|
| | | Reaction fuel | Share % | Vacuum gazoil | Share % | Fuel oil (M-100) | Share % | Fuel oil (M-40), others | Share % | Petrol | Share % | Orimulsion | Share % | Diesel | Share % |
| 1997 | 3634,6 | - | - | - | - | 1952,9 | 53.73 | 1395,8 | 38.40 | - | - | 50,0 | 1.38 | 235,9 | 6.49 |
| 1998 | 2270,4 | - | - | - | - | 1031,9 | 45.45 | 338,8 | 14.92 | - | - | 24,0 | 1.06 | 875,7 | 38.57 |
| 1999 | 3970,1 | - | - | - | - | 2638,5 | 66.46 | 94,9 | 2.39 | - | - | 24,9 | 0.63 | 1211,8 | 30.52 |
| 2000 | 5247,4 | - | - | - | - | 3767,5 | 71.80 | 235,91 | 4.50 | - | - | 50,1 | 0.95 | 1193,9 | 22.75 |
| 2001 | 5158,9 | 115,2 | 2,23 | - | - | 2928,7 | 56.77 | 125,4 | 2.43 | 345,9 | 6,70 | 47,4 | 0.92 | 1596,3 | 30.94 |
| 2002 | 6703,2 | 396,8 | 5,97 | - | - | 4608,5 | 68.75 | 9,0 | 0.13 | 555,3 | 8,28 | 24,0 | 0.36 | 1109,6 | 16.77 |
| 2003 | 6617,6 | 332,4 | 5,02 | - | - | 3993,3 | 60.34 | - | - | 873,6 | 13,20 | 60,1 | 0.91 | 1358,2 | 20.52 |
| 2004 | 6527,6 | 396,7 | 6,08 | - | - | 3297,9 | 50.52 | - | - | 1196,2 | 18,33 | 62,5 | 0.96 | 1574,2 | 24.12 |
| 2005 | 5843,7 | 388,7 | 6.65 | 62,4 | 1.07 | 2317,9 | 39.66 | - | - | 1469,7 | 25,15 | 60,8 | 1.04 | 1544,2 | 26.43 |
| 2006 | 5506,7 | 417,0 | 7.57 | 438,0 | 7.95 | 2437,5 | 44,26 | 2,00 | - | 1185,9 | 21.54 | 59,9 | 1,09 | 966,4 | 17.55 |

Volumes of services performed during 2004-2006, expressed in a quantitative way, according to the types of oil products.

| year | Total thousands LTL | Volumes of services provided in thousands of LTL | | | | | |
|-------|---------------------|--|----------------|------------------|----------|------------|----------|
| | | Reaction fuel | Vacuums gazoil | Fuel oil, others | Petrol | Orimulsion | Diesel |
| 2004. | 104 028,5 | 5 561,5 | | 57 527,7 | 16 863,8 | 1 250,5 | 22 825,0 |
| 2005 | 83 015,2 | 5 283,8 | 970,4 | 35 192,6 | 19 420,6 | 1 216,6 | 20 931,2 |
| 2006 | 71 528,0 | 5 220,8 | 6 805,0 | 33 896,0 | 13 213,4 | 1 197,8 | 11 195,0 |

The main reason that influenced 13 percent decrease of total oil products loaded in 2006 was a significant decline of oil delivery from the main supplier Mazeikiu Nafta AB. In 2006 Company loaded 4182200 tons of oil products that were supplied by Mazeikiu Nafta AB or 76% of total oil products load and whereas in 2005 it was 83%.

Company received 99.5 % of total income from its main activity.

The remaining 0.50% of income were received form secondary activities as well as from the Company's investments. Company received dividends from its fixed-date deposit of 146 969 LTL, also dividends from fund leftovers in various accounts – 105693 LTL, moreover, company overtook the rights from Naftos Terminalas AB to request 14757 LTL debt.

Main indicators characterizing company's activities:

| Index | 2006 | 2005 | 2004 |
|-------------------------------|--------|--------|--------|
| Earnings per share, LTL | 0.04 | 0.03 | 0.05 |
| Share book value, LTL | 1.16 | 1.15 | 1.13 |
| Net profit | 18.0 % | 11.9 % | 17.20% |
| Total profit | 42.5 % | 36.9 % | 35.43% |
| Return on average assets, ROA | 2.75 % | 2,12% | 3.60% |
| Return on average equity, ROE | 3.24 % | 2.6% | 4.78% |
| Liquidity ratio | 0.93 | 0.99 | 2.04 |
| Quick ratio | 0.86 | 0.91 | 1.89 |
| Debt ratio | 0.13 | 0.17 | 0.22 |
| Liabilities-equity ratio | 0.15 | 0.21 | 0.28 |
| Total asset turnover | 0.16 | 0.18 | 0.21 |

The implementation of new services is not set forth in the Company's plans for the year 2007.

27. Sales market

Since Klaipėdos nafta AB activities are limited only to transportation (import-export) services, therefore it does not perform any of buy-sell operations, to specify, it does not produce and sell its production; hence no sales markets can be distinguished.

Revenues for the transfusion of oil products that are transported by ships to other countries:

| No. | Country | Year | | |
|--|------------------------------|---------------|--------------|--------------|
| | | 2004 | 2005 | 2006 |
| Revenues for the transfusion operations, m LTL | | | | |
| 1 | The Netherlands | 40.39 | 28.24 | 27.93 |
| 2 | Spain | 2.69 | 1.16 | 1.43 |
| 3 | Iceland | 0.30 | 1.79 | 4.30 |
| 4 | France | 3.29 | 11.28 | 4.23 |
| 5 | The United States of America | 17.01 | 12.74 | 9.70 |
| 6 | Canada | 4.37 | 7.82 | 5.53 |
| 7 | Denmark | 10.89 | 5.12 | 2.74 |
| 8 | Lithuania | 2.04 | 2.39 | 2.16 |
| 9 | Great Britain | 1.33 | 0.99 | 1.77 |
| 10 | Sweden | 4.06 | 2.92 | 2.76 |
| 11 | Germany | 0.23 | | 0.26 |
| 12 | Norway | 0.42 | | 0.40 |
| 13 | Portugal | 0.44 | 1.08 | 0.23 |
| 14 | Others | 5.91 | 1.66 | 2.26 |
| 15 | Poland | 0.20 | | 0.61 |
| 16 | Venezuela | 1.25 | 1.22 | 1.20 |
| 17 | Belgium | 8.78 | 2.54 | 1.48 |
| 18 | Ireland | 0.42 | 0.42 | |
| 19 | Republic of South Africa | | 0.35 | |
| 20 | Gibraltar | | 0.92 | 0.74 |
| 21 | Finland | | 0.38 | |
| | | 104.03 | 83.02 | 69.72 |

28. Procurement

Major suppliers during the year of 2006 (all sums provided are with VAT):
 Lietuvos dujos AB – 5400910 LTL spent on gas for the preparation of vapor.

Klaipėdos vanduo AB – 208907 LTL spent for various services.

VST AB – electricity bill for 2666496 LTL

Lietuvos gelezinkeliai AB – railroad services for 2553413 LTL

Neste Lietuva UAB – fuel for the means of transport for 245496 LTL

Company has long term contracts with every of the abovementioned suppliers.

29. Immovable property and other main facilities

a) Land: territory of Klaipėdos Nafta AB (Burių 19, Klaipėda) rented from Klaipėda State Seaport Directorate.

On January 1st, 2005 was signed an adjusting agreement No. 20-08/2005ž of the original agreement “April 4, 2003 Klaipėda State Seaport land rental contract No. 20-28/2003ž”.

Regarding 195 135 m³ land on March 22nd, 2006 was signed land rental agreement “November 11th, 1998 Klaipėdos State Seaport land rental contract’s No. 2/98ž partially altered and appended on July 17, 2000 with an agreement No. 1A/98ž, 2A/98ž and June 11th, 2001 contract No. 20-71/2001ž adjusting agreement No. 20-12/2006ž/20-2006-104”.

Regarding 5371 m³ land on February 21st, 2005 was signed a land rental agreement “Klaipėda State Seaport land rental contract No. 20-16/2005ž”. Total rented area is 39.40 ha.

b) Company’s tangible assets on the 31st of December, 2006 (in thousand LTL)

| No. | Fixed assets | Number of objects (units) | Residual value 2006 12 31, LTL |
|-----|------------------------------|---------------------------|--------------------------------|
| 1. | Land and buildings | 186 | 289 411 806 |
| 2. | Machinery and equipments | 849 | 33 775 859 |
| 3. | Vessels and cars | 21 | 472 542 |
| 4. | Other assets | 2035 | 114 738 812 |
| 5. | Under construction | 4 | 2 526 478 |
| 6. | Other tangible assets | 18 | 479 952 |
| | TOTAL: | 3113 | 441 405 449 |

| Major Company’s buildings | Residual value 2006 12 31, LTL | Years | Status |
|---|--------------------------------|-------|--------|
| Skyway for dark oil products with 1 and 2 ways, technological manifold and its equipment. | 44 604 175 | 5 | good |
| Fuel oil reservoir (6 units) | 30 504 937 | 6 | good |
| Diesel reservoir (6 units) | 26 379 276 | 6 | good |
| Fuel oil reservoir (4 units) | 21 256 350 | 7 | good |
| Fuel oil reservoir (2 units) with floating | 18 773 311 | 1 | new |
| Control station with domestic rooms and transformer substation | 14 624 436 | 6 | good |
| Boilers’ room | 14 602 002 | 4 | good |
| Petrol reservoirs (4 units) | 10 074 843 | 6 | good |
| Transformer substation TP-42 | 7 080 534 | 5 | good |
| Railroad skyway’s pump room (2units) | 6 620 715 | 5 | good |
| Waterworks station | 8 926 076 | 5 | good |
| Elementary cleaning machine with all equipment and mounting tools | 5 250 225 | 7 | good |
| Machine for collecting petrol vapor | 4 776 914 | 6 | good |

Additionally mounted carbohydrate vapor collecting machine on the first quay is of high significance to the ecology. With this vapor gathering machine all the volatile organic compounds that are emitted from all the tankers can be burnt in order to decrease the level of carbohydrate pollution of Klaipėda and its surroundings.

In order to pursue ecologically cleaner activities, Company uses more expensive fuel – natural rare gas. In order to optimize the boiler's performance and increase its efficiency, ecological friendliness and reliability, the Company installed BAILEY automatic control system. When tankers and cisterns are loaded, special cowls with valves are used to stop carbohydrates spreading to the atmosphere.

30. Risk factors related to issuer's activities

Financial factors. Part of the long-term credit connected interest is determined according to the LIBOR interest norm. If the LIBOR norm increases, the company in the long run would have to pay bigger interest.

Competitive environment factor. Company's major competitors are other harbor terminals located in the Baltic Sea, handling the oil and oil products that are exported from Russia. Key factors deciding the Company's competitive place in the market are its terminal's loading and storage capacities, company's financial status, ability to apply flexible price policy, technical logistics chain parameters, starting with railway lines to the number and depth of quays, long-term goods' supply contracts as well as good relations with the suppliers themselves.

Economical, market factors. The load of Klaipėdos Nafta AB terminal as well as the Company's income and most of the profit depend on the situation in the oil products' market.

Terminal is a part of the logistics chain that starts in the former USSR's (mostly Russia's) oil industrial enterprises, oil processing factories and ends in Western countries. Oil products export flow from the former USSR states is closely connected to the oil prices in the world market. High world prices increase the load of the terminal, whereas low prices cause a decrease in the flow.

Political factors. It is accustomed that the Russian government strictly regulated oil export outside the country by implementing export quotas. Decision about the size of these quotas is made according to political motives regarding the particular port or country. It is necessary to notice that the Company's major client Mazeikiu Nafta AB was acquired by a Polish oil concern PKN Orlean S.A from Jukos International UK B.V. and the Lithuanian government.

Commercial factors. After signing the contract with Mazeikiu Nafta AB, the terminal's future depends from Mazeikiu Nafta AB Company's volumes of production.

Presently the bill received from Mazeikiu Nafta AB for the loading services are being paid in 18 days what is considered to be very short period of time in this sector of business.

Tariffs. The tariff change risk decreases when company is handling more and more goods from Mazeikiu Nafta AB using beforehand agreed upon tariffs that are economically beneficial now.

Technological factors. Terminal's technological characteristics determine the speed and the efficiency of the Company's ability to satisfy potential clients' needs as well as inflow of extra income. Deeper quays, bigger reservoirs allow to service ships with a bigger tonnage.

Social factors. A Collective agreement applicable to all of the Company's employees until 20 June, 2008, is drawn up with the trade union committee operating in the Company.

Ecological factors. The company allocated LTL k 197 for the means of environmental defence in 2006: LTL k 42 were used to finish up the biological cleaning facilities and LTL k 155 were spent on the implementation of the line for oil hydrocarbon vapour retrieval. In 2006 current internal expenses on the environmental defence accounted for LTL k 2,123.4. Additional annual expenses on various environmental examinations reached LTL k 96.9; furthermore, LTL k 57.5 were paid as a tax of environmental pollution.

In accordance with the European Union standards (LAND 35-200), starting from the 1st of January, 2008, there has to be a double floating roof weathstripping fitted in the reservoirs for gasoline storage. For this exact purpose the Company plans to invest LTL m 1.6 of its own funds in 2007.

Company's Liabilities.

In 2006 the Company returned these credits:

| No. | Operations | Sum LTL |
|----------|--|------------|
| 1. | Credits and interests received with government's guarantee | 1 589 745 |
| 2. | Credits and interests secured with company's assets | 13 693 514 |
| In total | | 15 283 260 |

In February 2006 before the deadline company returned 2.76 million credit, administered by Turto Bankas AB, to the Ministry of Finance.

The Company's liabilities in LTL

| | Indicator | Paid debts or their parts | |
|---|--------------------------------------|---------------------------|---|
| | Types of debts | During one year | After one year but not longer than five years |
| Financial debts including daughter and associated companies | | | |
| 1. | Leasing (financial rent) liabilities | 4 569 364 | |
| 2. | Credit institutions | 8 255 935 | 31 210 532 |
| 3. | Other financial debts | 0 | |
| 4. | Other debts | 4 331 965 | 12 330 000 |
| In total | | 17 157 264 | 17 157 264 |

To secure its credits the Company has mortgaged the below listed objects:

| Mortgaged asset name | Book value 2006-12-31 (LTL) | End date of mortgage |
|--|-----------------------------|----------------------|
| Mortgaged assets to the Ministry of Finance | | |
| Building, transformation building, on the map 49P1p, inv. No. 00025 | 7 080 534 | 2009 12 31 |
| Building, underground building with cleaning equipment, on the map 64H1b, inv.No.02004 | 5 239 512 | 2009 12 31 |
| 0,4 kV tension electricity cable line, on the map 10 i, inv. No. 000213 | 60 049 | 2009 12 31 |
| II phase rez. park, sprinkler system, on the map 73i, inv.No.30006 | 790 618 | 2009 12 31 |
| Fire prevention pipelines, on the map 71i, inv.No.30024 | 3 050 398 | 2009 12 31 |
| Fire-fighting foam nets, on the map 72 i, inv. No. 30025 | 830 477 | 2009 12 31 |
| Low tension electricity cables, on the map 80 i, inv.No. 30032 | 3 203 989 | 2009 12 31 |
| Dark oil products skyway No.1 with roads No.1 and No.2, on the map 110 i, invent. No.02123 | 44 604 175 | 2009 12 31 |
| 1 railway skyway, 1 and 2 vacuums rooms, on the map 111 i, invent. No.02129 | 3 310 358 | 2009 12 31 |
| Railway skyway No.1 filter platform, on the map 112 i, invent. No. 02141 | 1 925 544 | 2009 12 31 |
| Railway estacade.No.1 first road, on the map 70 i, inv.No.30023 | 45 487 | 2009 12 31 |
| Reservoir with pontoons 2 units., on the map 60 i, inv.No.02093,02094 | 10 083 199 | 2009 12 31 |
| Reservoir 5000m ³ , on the map 45 i, inv.No.02005 | 206 438 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 46 i, inv.No.02006 | 178 821 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 47 i, inv.No.02007 | 206 438 | 2009 12 31 |
| Reservoir 5000. m ³ , on the map 48 i, inv.No.02008 | 178 821 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 49 i, inv.No.02009 | 206 438 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 50 i, inv.No.02010 | 178 821 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 51 i, inv.No.02011 | 206 438 | 2009 12 31 |
| Reservoir 5000 m ³ , on the map 52 i, inv.No.02012 | 178 821 | 2009 12 31 |
| Assets mortgaged to the Ministry of Finance in total: | 81 582 006 | x |
| Mortgaged to SEB VILNIAUS BANKAS AB, HANSABANKAS AB, DnB NORD AB bank | | |
| Reservoir 4 units . T-61 for petrol about 5000 m ³ , inv.Nr.02059; 02060; 02061;02062 (83 i) | 10 074 843 | 2007 12 31 |
| One floor concrete vacuum room ,inv.No.02121, 59H1b | 11 926 | 2007 12 31 |
| Spotlight pylon with lightning rod, inv.No.02117, 22 i | 46 279 | 2007 12 31 |

| | | |
|---|--------------------|------------|
| Bridge scale , inv.No.02020, 24 i | 69 088 | 2007 12 31 |
| Technological pipelines, inv.No.03034, 28 i | 18 663 131 | 2007 12 31 |
| Reservoirs 4 unit. T-61 for petrol about 10 000 m ³ , inv.No. 02055; 02056; 02057;02058 (55 i) | 16 296 076 | 2007 12 31 |
| Auto cisterns filling vacuum room, inv.No.02018, 20 i | 1 163 260 | 2007 12 31 |
| Auto platform for filling the cisterns, inv.No.02116, 21 i | 1 220 477 | 2007 12 31 |
| Railway cistern filling vacuum room, inv.No.02119, 25 i | 382 873 | 2007 12 31 |
| Petrol vapor collecting equipment, inv.No.02122, 26 i | 4 776 914 | 2007 12 31 |
| 0.4 kW over ground electricity nets, inv.No.03036, 38 i | 1 469 783 | 2007 12 31 |
| Territory lighting, 0.4 kV electricity cable, inv.No.03051, 40 i | 286 203 | 2007 12 31 |
| 10kW electrical underground net lines, inv.No.03053, 39 i | 34 752 | 2007 12 31 |
| 0.4 kW electricity cables, inv.No.03052, 37 i | 35 912 | 2007 12 31 |
| Fire-fighting foam containers platform, inv. No.02016, 23 i | 185 541 | 2007 12 31 |
| Water collection place next to gelež.vacuum room, inv. No.02120; 27 i | 29 664 | 2007 12 31 |
| Faecal canalization, inv.No.03043, 34 i | 67 261 | 2007 12 31 |
| Polluted water line, inv.No.03044, 35 i | 465 668 | 2007 12 31 |
| Comparatively clean water line , inv.No.03049, 36 i | 638 178 | 2007 12 31 |
| Drainage, inv.No.03050, 33 i | 323 720 | 2007 12 31 |
| Signal cables, inv.No.03037, 41 i | 918 531 | 2007 12 31 |
| Fire prevention pipelines, inv.No.03039, 30 i | 1 578 758 | 2007 12 31 |
| Drinking water line, inv.No.03038, 29 i | 552 216 | 2007 12 31 |
| Putokšlio line, inv.No.03040, 31 i | 503 166 | 2007 12 31 |
| Sprinkler system lines, inv.No.03041, 32 i | 747 140 | 2007 12 31 |
| Industrial television set and lines, inv.No.03054, 42 i | 1 | 2007 12 31 |
| One floor bet.liet.vacuum room, inv.No.02118, 58H1b | 962 732 | 2007 12 31 |
| First floor control centre building, inv.No.00049, 60H1p | 14 624 436 | 2007 12 31 |
| Reservoir 4 20 000 m ³ each ŠNP *, inv.No.02047; 02048; 02049; 02050, 59 i | 21 256 350 | 2007 12 31 |
| Mortgaged to SEB VILNIAUS BANKAS AB, HANSABANKAS AB, DnB NORD AB in total | 97 384 879 | X |
| Company's long-term assets mortgaged in total | 178 966 885 | X |

*shortenings „ŠNP“- bright oil products “TNP” – dark oil products

31. Termination and reductions of production that have exercised or are exercising material impact upon the performance of the issuer during the last two financial years.

32. Patents, licenses, contracts

The Company had the following licenses in 2006:

- to engage in oil product import
- to engage in oil product export
- to engage in oil product wholesale

33. Court proceedings.

In March 1, 2006 Company received a transcript of the lawsuit from Klaipeda district court, where the complainant Riverlake Energy (S) PTE LTD is demanding a 5,1 million LTL losses reparation and prosecution of an agreed obligation. Civil case No 2-197-3/07 regarding the reparation of losses according to the lawsuit of Riverlake Energy PTE LTD to respondent Klaipedos Nafta AB started to be examined substantially. The respondent Klaipedos Nafta AB inquired to determine the authenticity of the contracts that the complainant is using to support his claim. Court has not yet discussed this inquiry due to the fact that the interrogation of the complainant's representatives is still not finished. At this point of the case analysis the validity of the lawsuit is still not clear. According to Klaipedos Nafta AB, with regards to the legitimate contracts, the dispute should continue between the buyer and the seller since Klaipedos Nafta AB does not own the cargo at any point of the agreement and only provides loading services.

34. Staff

The number of employees on the 31st of December:

| | 2004 | 2005 | 2006 |
|---------------------|------|------|------|
| Number of employees | 311 | 309 | 303 |

The average number of employees in 2006 (303), comparing to the previous year (306), decreased by 1 per cent or 3 employees.

The average monthly salary in the company in 2006 accounted for LTL 3,275. In order to retain quality workers as the cost-of-living is getting higher, the company's administration was continuously raising salaries in 2006. Consequently, the average monthly salary in 2006, comparing to the previous year (LTL 2,795), increased by 17 per cent or LTL 480.

| Employee group | Average listed figure | | | Education | | | | | | | | | Average salary, in LTL | | |
|----------------|-----------------------|------------|------------|-----------|-----------|-----------|-------------------|------------|------------|-----------------------------------|------------|------------|------------------------|--------------|--------------|
| | | | | Higher | | | Special secondary | | | Secondary, not finished secondary | | | | | |
| | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
| Managers | 4 | 5 | 5 | 4 | 5 | 5 | | | | | | | 12,967 | 12,483 | 17,461 |
| Specialists | 91 | 88 | 87 | 62 | 56 | 56 | 20 | 23 | 23 | 9 | 9 | 8 | 3,728 | 3,961 | 4,585 |
| Workers | 213 | 213 | 211 | 16 | 18 | 18 | 66 | 84 | 82 | 131 | 111 | 111 | 2,260 | 2,311 | 2,750 |
| Total | 308 | 306 | 303 | 82 | 79 | 79 | 86 | 107 | 105 | 140 | 120 | 119 | 2,687 | 2,795 | 3,275 |

35. Investment policy.

Klaipėdos Nafta AB does not have any subsidiaries or associated companies.

36. Competitors

The main competitors are the neighbor oil terminals in Latvia and Estonia: JSC "Ventspils Nafta" (Latvia); "Ventbunkers" (Latvia); "Pakterminal" (Estonia); "Eurodek Tallin" AS (Estonia). During the summer even St. Petersburg becomes a competitor since the transportation costs to this harbor is much cheaper.

Main competitors compared to Klaipėdos Nafta AB

| | KLAIPĖDOS NAFTA AB | Ventspils Nafta (Latvia) | Pakterminal (Estonia) |
|---|---|---|--------------------------------|
| Total volume in m ³ | 404 500 | 1 195 000 | 251 000 |
| Oil products loaded | Fuel oil, diesel vacuum gazoil, petrol, orimulsion, reaction fuel A-1 | Fuel Oil (small quantities) diesel, aircraft fuel, petrol, oil. | Fuel oil, diesel, petrol, oil. |
| Number of c/c serviced at the same time | 124 | 98 | 92 |
| Number of quays | 2 | 3 | 3 |

37. Dividends

| Year | Dividends paid (LTL) | Sum of dividends to one litas (LTL) | % Share's nominal value |
|---------|----------------------|-------------------------------------|-------------------------|
| 2002 m. | 4 791 026 | 0,0147 | 1,47 |
| 2003 m. | 9 011 602 | 0,0265* | 2,65* |
| 2004 m. | 4 825 240 | 0,0141 | 1,41 |
| 2005 m. | 8 081 390 | 0,0236 | 2,36 |
| 2006 m. | 6 122 890 | 0,0179 | 1,79 |

*- dividends are paid only to the shares that are fully redeemed.

V. FINANCIAL STATUS

38. Financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

38.1. Balance sheets for the last three years

| LTL'000 | 2006 | 2005 | 2004 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Long - term assets | | | |
| Intangible assets | 148 | 165 | 283 |
| Property, plant and equipment | 438 879 | 422 700 | 450 811 |
| Other investment | 2 526 | 26 100 | 5 907 |
| Long term receivable | 266 | 588 | 512 |
| Total non-current assets | 441 819 | 449 553 | 457 513 |
| Current assets | | | |
| Combined credits | 0 | 1 231 | 3 357 |
| Inventories | 1 277 | 2 249 | 1 977 |
| Receivables | 3 656 | 3 803 | 5 243 |
| Other current assets | 6 270 | 6 698 | 4 681 |
| Cash and cash equivalents | 4 810 | 11 667 | 23 431 |
| Total current assets | 16 013 | 25 648 | 38 689 |
| TOTAL ASSETS | 457 832 | 475 201 | 496 202 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Authorized capital | 342 000 | 342 000 | 342 000 |
| Legal reserve | 13 140 | 12 140 | 11 220 |
| Other reserves | 29 187 | 28 198 | 21 880 |
| Undistributed profit | 12 807 | 10 071 | 12 063 |
| Total equity | 397 134 | 392 409 | 387 163 |
| Long term liabilities | | | |
| Interest-bearing loans and borrowings | 31 211 | 44 036 | 76 976 |
| Deferred tax liabilities | 12 330 | 12 950 | 13 086 |
| Total long term liabilities | 43 541 | 56 986 | 90 062 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 12 825 | 15 379 | 12 239 |
| Liabilities to associates | 60 | 73 | 79 |
| Liabilities to suppliers and contractors | 1 652 | 3 803 | 2 355 |
| Profit tax liability for current year | 0 | 3 327 | 0 |
| Payable salaries and social insurances | 1 570 | 1 499 | 1 090 |
| Other current liabilities | 1 050 | 1 725 | 3 214 |
| Total current liabilities | 17 157 | 25 806 | 18 977 |
| Total liabilities | 60 698 | 82 792 | 109 039 |
| TOTAL EQUITY AND LIABILITIES | 457 832 | 475 201 | 496 202 |

38.2. Income statements for the last three years

| LTL'000 | 2006 | 2005 | 2004 |
|------------------------------------|----------------|----------------|----------------|
| Revenue | 71 336 | 84 956 | 106 416 |
| Cost of sales | - 41 021 | -53 646 | -68 711 |
| Gross profit | 30 315 | 31 310 | 37 705 |
| Operating expenses | - 13 257 | -14 342 | -9 305 |
| Other income | 814 | 218 | 379 |
| Operating profit | 17 872 | 17 186 | 28 779 |
| Financial income | 297 | 717 | 646 |
| Financial costs | - 2 349 | - 3 340 | - 4 687 |
| Net financial costs/ income | - 2 052 | - 2 623 | - 4 041 |
| Profit before tax | 15 820 | 14 563 | 24 738 |
| Income tax expense | - 3 013 | -4 492 | -6 436 |
| Profit for the year | 12 807 | 10 071 | 18 302 |
| Basic earning per share (LTL) | 0.04 | 0.03 | 0.05 |

38.3 Cash Flow statements for the last three years

| LTL'000 | 2006 | 2005 | 2004 |
|--|-----------------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before tax | 12 807 | 10 071 | 18 302 |
| Adjustments for: | | | |
| Depreciation and amortization | 18 351 | 34 366 | 45 572 |
| Interest expense, net | 2 157 | 2 623 | 4 041 |
| Decrease in inventories | - 112 | 28 | - 2 572 |
| Decrease in doubtful receivables | 120 | 0 | 0 |
| Gain on sales of non-current assets | 307 | 634 | -87 |
| Other non-monetary contributions | 0 | -1 197 | -462 |
| Profit tax paid | 3 013 | 4 492 | 6 436 |
| Net cash flows from ordinary activities before any changes in working capital | 36 643 | 51 017 | 71 230 |
| Change in receivables | 872 | -577 | -525 |
| Change in inventories | 1 084 | -272 | 253 |
| Change in debtors | - 2 768 | 993 | 17 |
| Net cash from operating activities | - 812 | 144 | - 255 |
| Received Interest | 232 | 633 | 569 |
| Profit tax paid | - 7 377 | -3 372 | 0 |
| Net cash from operating activities | 28 686 | 48 422 | 71 544 |
| Cash flows from investing activities | | | |
| Acquisition of tangible non-current assets | -11 334 | -24 344 | -8111 |
| Proceeds from sale of tangible non-current assets | 88 | 0 | 45 |
| Returned credits | 1 231 | 2 126 | 4 044 |
| Dividends received | 322 | 0 | 0 |
| Net cash from investing activities | - 9 693 | -22 218 | -4 022 |
| Cash flows from financial activities | | | |
| Paid interests | - 2 389 | -3 337 | -4 561 |
| Proceeds from borrowings | - 8 082 | -4 831 | -8 545 |
| Repayment of borrowings | - 11 114 | -25 819 | -35 006 |
| Payment of finance lease liabilities | - 4 265 | - 37 968 | - 4 261 |
| Net cash from financing activities | - 25 850 | -37 968 | -52 373 |
| Net increase in cash and cash equivalents | - 6 857 | -11 764 | 15 149 |
| Cash and cash equivalents at 1 January | 11 667 | 23 431 | 8 282 |
| Cash and cash equivalents at 31 December | 4 810 | 11 667 | 23 431 |

38.4. Consolidated Statements of Changes in Equity.

| LTL'000 | Shares capital | Own shares | Legal reserve | Retained earnings | Total |
|----------------------------|----------------|------------|---------------|-------------------|---------|
| At 1st January 2004 | 342,000 | 11,220 | 21,880 | 12,063 | 387,163 |
| Gross profit for 2004 | | | | -4,825 | -4,825 |
| Decrease in share capitals | | 920 | 6,318 | -7,238 | 0 |
| At 31st December 2004 | | | | 10,071 | 10,071 |
| At 1st January 2005 | 342,000 | 12,140 | 28,198 | 10,071 | 392,409 |
| Gross profit for 2005 | | | | - 8,082 | - 8,082 |
| At 31st December 2005 | | | - 10,133 | 10,133 | 0 |
| At 1st January 2006 | | 1,000 | 11,122 | - 12,122 | 0 |
| Gross profit for 2006 | | | | 12,807 | 12,807 |
| At 31st December 2006 | 342,000 | 13,140 | 29,187 | 12,807 | 397,134 |

39. Comments on the financial statements.

Comments on the financial statements (notes to the financial statements) are submitted together with this prospectus.

40. Report prepared by the managing board of the issuer or any other managing body performing its functions.**Annual report of AB Klaipedos Nafta for 2006****1. Accounting period in respect of which the annual report was prepared**

The Annual Report is prepared for the year 2006; all figures are presented as at 31 December 2006, if not indicated otherwise. In this Annual Report AB Klaipedos Nafta may also be referred to as the Company, Terminal or Issuer.

2. Details about Issuer

| | |
|--|---|
| Commercial name of Issuer: | AB Klaipedos Nafta |
| Legal name of Issuer: | AB Klaipedos Nafta |
| Authorized capital: | 342,000,000 LTL |
| Date and place of registration: | 27 September 1994, State enterprise Register Centre |
| Company code: | 1106 48893 |
| Registration No.: | 009920 |
| Date of establishment | 27 September 1994 |
| Activity period: | Not limited |
| Address: | Burių g. 19, A. d. 81, LT-91003 Klaipėda-C |
| Legal status: | Stock company |
| Legislation under which the Issuer operates: | Legislation of the Republic of Lithuania |

| | |
|--------------------|--|
| Issuer's register | State enterprise Register Centre |
| Telephone numbers: | +370 46 391772 |
| Fax numbers: | +370 46 311399 |
| E-mail addresses: | info@oil.lt |
| Internet site: | www.oil.lt |

3. Nature of the Issuer's primary activity

The Company's primary activity are reloading of oil products and other related services.

The Company transfuses oil and oil products (fuel oil, vacuum gazol, diesel, gasoline, jet fuel, etc.) from the railway tanks into tankers, transfuses oil and oil products from tankers into railway tanks, provides a temporary storing of oil products and oil, determines qualitative parameters of oil products, adds chemical supplements, accepts the water polluted with oil products from ships, supplies ships with water, moors incoming tankers.

The Company has customs- and excise warehouses allowing the clients to perform sales/purchase procedures of oil products.

In 2006 the Company reloaded **5 506,7 thousand tons** of oil products:

| | Thousand tons |
|-------------------|---------------|
| 1. Fuel oil | 2 437,5 |
| 2. Gasoline | 1 185,9 |
| 3. Diesel | 966,4 |
| 4. Vacuum gazol | 438,0 |
| 5. Jet fuel | 417,0 |
| 6. Orimulsion | 59,9 |
| 7. Gas condensate | 2,0 |

The Company's major client is AB Mažeikių Nafta. During 2006 AB Mažeikių Nafta reloaded 4 182.2 thousand tons of oil products (76 % of the total loading of oil products).

4. Agreements with the Securities Public Turnover brokers

The Company has an agreement with SEB Vilniaus Bankas Financial Markets department for servicing public turnover of the securities.

5. An objective overview of the Company's financial position, performance and development, description of the main risks and uncertainties incurred by the Company

Today the Company is one of the most modern terminals in Europe. Since 2001 experts of the well-known company British Petroleum, trading oil products, each year gives positive evaluations of the civil security of works performed in the terminal, environmental security and fire prevention. In 2006 the Company consistently and successfully continued its activities. The Company operates profitably since 2002, repays loans for the terminal's reconstruction in due time and continues to modernize the terminal. The Company's efficiency is reflected by an increasing gross margin - 42,5 % (in 2005 – 36,9 %) and an increasing return in equity - 3,2 % (in 2005 - 2,6 %). A decreasing debt-equity ratio, which is 0,18 (in 2005. – 0,24, in 2004 – 0,32) shows that the risk related to the Company's ability to cover interest and debt liabilities is decreasing.

Such factor as growing competitiveness among the similar terminals in the ports of Estonia, Latvia and Russia, which also, like AB Klaipedos Nafta, are expanding their possibilities and increasing their efficiency, may be attributed to the main risks and uncertainties incurred by the Company. The most significant factors influencing the competitiveness of oil terminals in the Baltics are as follows: port characteristics, loading and storing capacity of a terminal, financial

position of companies allowing applying a flexible price policy, technical logistics chains, favorable geographical position and product supply contracts.

Aiming to attract new clients, the Company applies a balanced rate policy for loading oil products. The company is operating in the international markets, thus is exposed to foreign exchange and liquidity risks. The risk of counter-parties default, are controlled by application of credit terms and monitoring procedures. The Company applies procedures ensuring that services are provided only to reliable clients. The Company follows the policy of managing cash flows from expected future income with acquisitions and other costs in relevant foreign currencies. The Company's policy is to maintain sufficient cash and cash equivalents.

6. Analysis of financial and non financial results

The financial results for 2006 show a successful performance of the Company. According to audited data in 2006 the Company earned a net profit of 12,807 million LTL, which is by 27% more than in 2005 (10,071 million LTL).

The main audited items of the balance sheet and profit and loss account are presented below.

Balance sheets of the Company (thousand LTL)

| | 2006 | 2005 |
|-------------------------------------|----------------|----------------|
| Key figures | | |
| Turnover | 71,336 | 84,956 |
| Gross profit | 30,315 | 31,310 |
| Operating result | 18,389 | 17,186 |
| Result before taxation | 15,820 | 14,563 |
| Net profit | 12,807 | 10,071 |
| Non-current assets | 441,819 | 449,553 |
| Current assets | 16,013 | 25,648 |
| Total assets | 457,832 | 475,201 |
| Share capital | 342,000 | 342,000 |
| Capital and reserves | 397,134 | 392,409 |
| Non-current liabilities | 43,541 | 56,986 |
| Current liabilities | 17,157 | 25,806 |
| Total liabilities | 60,698 | 82,792 |
| Total equity and liabilities | 457,832 | 475,201 |

Profitability ratios:

| PROFITABILITY RATIOS | 2006 | 2005 |
|----------------------|--------|--------|
| Net profit | 18,0 % | 11,9% |
| Return on investment | 3,9 % | 3,6 % |
| Gross margin | 42,5% | 36,9 % |
| Return on equity | 3,2% | 2,6% |

7. References and additional notes regarding data presented in the financial statements.

All financial data presented in this annual report are calculated in accordance with International Financial Reporting Standards (IFRS) and are audited, if not indicated otherwise.

8. Information on purchased and disposed own shares.

During the accounting period the Company did not acquire any own shares.

9. Significant events after the year end.

During January – February 2007 the Company reloaded 1,034 thousand tons of oil products and earned 14,939 thousand LTL of sales income resulting in an increase of sales by 43 % or 4,506 thousand LTL for the mentioned period.

10. Information on the Company's activity plans, development and forecasts.

In 2007 the Company is planning to increase the loading volume of oil products by 5%. It is expected that loading of dark oil products will increase until the major client AB Mažeikių Nafta recovers the flow of light oil products. Due to this reason, the Company expects a growth of the operating-financial activity costs.

In order to attract additional flows of oil products and to fulfill the EU requirements for equipment of similar terminals, in 2007 the Company is planning to invest 9 million LTL of own funds for modernization of the terminal's reservoirs.

Key financial ratios of the Company's operating-financial activity for 2007:

| | PLANNED FOR 2007 |
|--|------------------|
| Annual loading of oil products, million tons | 5,8 |
| Volume of sales and services, million LTL | 75,9 |
| Operating-financial costs, million LTL | 67,2 |
| Profit before taxation, million LTL | 8,8 |
| Investments, million LTL | 9,0 |

11. Shareholders

In 2006 the shareholders structure did not change: 70.6% shares are owned by the State, represented by the Ministry of Economy of Lithuania, 29.4 % - minority. The Company's authorized capital amounts to 342,000,000 LTL, comprising 342,000,000 ordinary shares at par value of 1 LTL.

12. Employees

The salary payment procedure to the Company's general director, functional directors and the chief accountant is approved on an annual basis by the Board, which defines coefficients of monthly salaries and a procedure of extra payment.

| | 2006 | 2005 |
|-----------------------------|------|------|
| Average number of employees | 303 | 306 |
| Including: | | |
| Administration staff | 29 | 29 |
| Production staff | 274 | 280 |

In 2006 there were 5 small accidents: 4 – on a way to work, 1 – at work.

The Company pays great attention to improvement of qualifications of employees, performs certification of those who work with potentially dangerous equipment and perform dangerous work. The Company organizes training courses on a regular basis, helping the specialists to obtain practical skills in case of terror act, fire at the storage of light oil products, effusion of oil products in the Company's quays and port territory.

13. Information on adherence to Code of Company Management

The Company's supervising body is the Council.

Members of the Council: Dominikas Peciulis (Chairman), Vanda Krenienė, Vytautas Arsauskas.

The Company's executive bodies: the Board and the Management (General Director).

The Board members: Vladas Gagilas (Chairman), Saulius Specius, Robertas Tamosiunas, Algimantas Slapsinskas, Arunas Keraminas.

During 2006 the Board convened 12 meetings, at which the Board members discussed and took decisions on the following issues: increase and assurance of loading of oil products, policy of loading rates, financial results and other important issues.

The Company is managed by the General Director Jurgis Ausra, the Company's Chief Accountant is Johana Bucienė.

The Company's activities are based on the management structure, which was approved at the meeting, dated 22 September 2004 (minutes No. J3-8). Certain activity areas are headed by the Commerce Director, Chief Accountant, Production Director, and Technical Director, who directly report to the General Director.

14. Details on public information

Shares of AB Klaipedos Nafta are quoted in the current list of the National Stock Exchange.

All material events related to the Company's activity and the information on time and place of general shareholders meetings and other information to the shareholders and other persons are announced in the daily "Respublika" and submitted to the news agency "BNS" in accordance with the Lithuanian Legislation.

41. Information about the audit.

Independent auditors' report to the shareholders of AB Klaipedos Nafta

Report on the financial statements

We have audited the accompanying financial statements of AB Klaipedos Nafta (the "Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in pages 12 to 34.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion we draw attention to the following matters of note:

- As presented in the Note 16 to the financial statements, the Company is a party to a tax dispute with the Tax Authorities concerning the calculation of tax on real estate for the years 2000-2004. A significant uncertainty exists as to the outcome of the dispute which may have a significant effect on the valuation of the real estate tax of 5,315 thousands LTL recognized under other receivables in the balance sheet.
- As presented in the Note 16 to the financial statements, on 1 March 2006 the Company received a claim amounting to approximately 5,137 thousands LTL regarding an alleged violation of contractual obligations with Riverlake Energy (S) PTE LTD. Currently, the claim is under investigation at the Klaipeda regional court. A significant uncertainty exists as to the possible outcome of the case and the related losses which might be incurred by the Company. No provisions have been recognized in these financial statements.

Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2006 set out on pages 35-40 of the Annual Accounts and have not identified any material inconsistencies between the financial information included in the Annual Report and the financial statements for the year ended 31 December 2006

Klaipeda, 8 March 2007
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Rokas Kasperavicius
Lithuanian
Certified Auditor

VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

42. *Members of the managing bodies.*

Klaipėdos Nafta AB management structure:

- General meeting of shareholders.
- Board of Observers (elected for 4 years and consists of 3 members).
- Company's Board (elected for 4 years and consists of 5 members);
- Administration.

BOARD OF OBSERVERS JANUARY 31, 2006

DOMINIKAS PECIULIS – head of the Board of Observers. He is also a deputy of Ministry of Economy, Companies' economy and management department, National asset privatization and management unit head's. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management.

VYTAUTAS ARSAUSKAS – member of the Board of Observers. He is also a head specialist of Oil unit of Energetic resources department of Ministry of Economy. He is also the head of the "Suskystintos dujos" AB Board of Observers as well as a member of the Mazeikiu Nafta AB Board of Observers. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management.

VANDA KRENIENE – member of the Board of Observers. Head specialist in Analysis and Forecast unit, of Strategy of the Economy department, of Ministry of Economy. She does not own issuer's shares; moreover, she does not participate in other companies' capital or management.

Members of the Board of Observers were elected on December 17, 2002 for the period of 4 years. Board of Observers performed their duties till the 19 of March, 2007.

COMPANY'S BOARD DECEMBER 31, 2006

VLADAS GAGILAS – Head of the Board. 1974 he graduated Kauno Institute of Technology, obtained the degree of electric engineering. Since the 20th of February 1997 until the 1st of January 1998 he worked as the deputy head of the Energetic resources department of the Ministry of Economy and the head of oil strategy unit. He is also the head of the Energetic resources department of the Ministry of Economy (starting on the 1st of January, 1998). To continue with, he is Mazeikiu Nafta AB Head of Board of Observers and member of Lietuvos Dujos AB board. He does not own issuer's shares; moreover, he does not participate in issuer's other companies' or management. As a Head of the Board he was elected on December 17, 2004 until 2007.

SAULIUS SPECIUS – Member of the Board. He is also a deputy of the Prime Minister. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management. His cadence started in 2003 and finishes in 2007.

ROBERTAS TAMOSIUNAS – Member of the Board. He is also a Head of Oil unit of Energetic resources department of Ministry of Economy. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management. His cadence started in 2004 March and finishes in 2007.

ALGIMANTAS SLAPSINSKAS – member of the Board. Head specialist in Analysis and Forecast unit, of Strategy of the Economy department, of Ministry of Economy. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management. His cadence started in 2003 February and finishes in 2007.

ARUNAS KERAMINAS – member of the Board. Head specialist in Analysis and Forecast unit, of Strategy of the Economy department, of Ministry of Economy. He does not own issuer's shares; moreover, he does not participate in other companies' capital or management. His cadence started in 2003 February and finishes in 2007. April 19, 2007 Klaipėdos Nafta AB General Meeting of Shareholders reelected the same Board of Observers for another 4 years cadence. Moreover, it was decided to reelect the same Company's Board too, adding one more member – Laurentina Garbauskiene.

On the 19th of April, 2007, the Company's board of observers elected a new board for a four-year tenure (for the period of 2007-2010): Vladas Gagilas, Saulius Specius, Robertas Tamosiunas, Algimantas Slapsinskas, Laurentina Garbauskiene. Vladas Gagilas was elected the Head of the Board.

LAURENTINA GARBAUSKIENE – member of the Board. She is also a Head specialist in National Asset Privatization unit of the Companies' law and privatization department of the Ministry of Economy. She does not own issuer's shares; moreover, she does not participate in other companies' capital or management

ADMINISTRATION DECEMBER 31, 2006

JURGIS AUSRA – Director General, elected on the 11th of February, 2002. University education, obtained engineer-electric specialty in Kaunas Institute of Technology. From 1984 to 1994 he worked in Klaipėda city's furniture producers' union "Klaipėda" as a Director General. During the period of 1994-1995 he was elected as mayor of Klaipėda city, to continue with, during the 1995-1997 he worked as the administrator of Klaipėda district, then from 1997 to 1999 he worked as Bank of Industry AB Klaipėdos district administrator, next 1999-2002 he worked as a director in Euroga UAB. On December 31, 2006 he owned 111100 issuer's shares. He does not participate in management of other companies, he owns less than one percent of Klaipėdos Mediena shares.

JOHANA BUCIENE – Chief Financial Officer. University education, graduated Lithuanian Academy of Agriculture, obtained agricultural accounting, economist profession. From 1990 to 1991 she worked in Klaipėda city municipality as a Municipality's Property and Finance Unit inspector. Then 1991-1994 she was a deputy of the head accountant in Klaipėda National Oil Company and since 1994 she has been working as a Chief Financial Officer in Klaipėdos Nafta. On December 31, 2006 she owned 27000 issuer's shares. She does not participate in management of other companies, she owns less than one percent of Dilikas AB shares.

Members of Klaipėdos Nafta AB managing bodies have not been sued for crimes for property, finance and regulations of carrying out business operations.

43. Information about payments and loans extended to the members of management

Director General, Production manager, Technical manager, Commercial director and Chief financial officer are treated the members of the Company's management. The management

remuneration system is dealt through the board on an annual basis. The table below gives the information about the sums ascribed to the members of management in 2006.

| | Work remuneration, in LTL | Payments of profit, in LTL | Other payment unrelated to the work remuneration, in LTL |
|---|------------------------------|-------------------------------|---|
| To the management in total | 956,265 | 125,000 | 4,714 |
| To one member of management, in average | 191,253 | 25,000 | 943 |

44. Transactions with persons concerned.

During the year of 2006 there were no such transactions.

VII. RECENT AND MATERIAL EVENTS IN ISSUER'S ACTIVITY AND PERSPECTIVE

45. Recent events in issuer's activities.

January 3, 2007 KLAIPEDOS NAFTA published operating results for January – December of the year 2006 :

During January – December of 2006 SC KLAIPEDOS NAFTA has transshipped 5506.7th.tonnes of petroleum products, including 387.7 thousand tons during December. Earnings (preliminary) LTL 73.1 million (EUR 21.2), including LTL 5.4 million (EUR 1.6million) during December.

Changes of operating results KLAIPEDOS NAFTA for January – December of the year 2006

Due to the accident at the main Client's Refinery the amounts of oil products received for transshipment from SC Mažeikių Nafta have reduced, therefore the Board of Klaipedos Nafta by the decision of its meeting dated September 28, 2006, revised and approved turnover from services and sales planned for the year 2006:

Turnover from services and sales planned for the year 2006 - LTL 66,2 mln. (EUR 19,2 mln.)

April 20, 2007 announced the results of the general meeting:

1. To take in to account the Report on the Company's activities (attached) while approving the Financial Statements.
- 2.To take into account the Auditor's opinion while approving the Financial Statements for the year 2006.
- 3.To approve the following documents of the Financial Statements for the economic year - the Balance Sheet, Profit (Loss) Statement, Statement of the changes in the capital, Cash Flow Statement and Note (the documents are attached).
4. Resolved to appropriate the Company's profit (loss) of the year 2006

Dividend payment:LTL 0,0179 (EUR 0,005) per share.

5. To elect UAB Ernst & Young Baltic as the Auditor of SC Klaipedos Nafta for the term of one year and establish remuneration in the amount of LTL 90 000 (ninety thousand) excl. VAT for the audit of annual financial statements for the year 2007 and the review of interim (quarterly) financial statements including all the costs incurred thereof.
6. On the expiration of four year term of office to recall members of the Supervisory Board: Domininkas Peciulis, Vanda Krenienė, Vytautas Arsauskas.
7. To propose to elect the Supervisory Board for four year term of office: Domininkas Peciulis, Vanda Krenienė, Vytautas Arsauskas.

The Observatory Board of SC Klaipedos Nafta in its meeting of April 19, 2007 has elected the following members of the Board: Vladas Gagilas Saulius Specius, Robertas Tamosiūnas,Algimantas Slapsinskas, and Laurentina Garbauskiene. Vladas Gagilas was elected the Chairman of the Board in the Board's meeting of April 19, 2007.

46. Material events in issuer's activity.

January 12, 2006 Company announced the transshipment volumes for the year 2005
Klaipedos nafta AB transshipped 5.844 m tons of oil products in 2005 - it is 10.5% less than in 2004, when it was transshipped 6.528 m tons. Klaipedos Nafta AB transshipped 562 000 tons in December 2005 - it is 9.2% less than in December 2003 and 20.6% more than in November 2004.

Resolutions of the Ordinary General Meeting of 19 April 2006:

1. To approve the Report on the Company's activities in the year 2005 (attached - Appendix No. 1).
2. To take into account the Auditor's opinion while approving the Financial Statements for the year 2005.
3. To approve the following documents of the Financial Statements for the economic year 2005 - the Balance Sheet, Profit (Loss) Statement, Statement of the changes in the equity capital, Cash Flow Statement and Note (the documents are attached).
4. To approve Company's profit appropriation of the year 2005 by approving distributable profit in the total amount of LTL 20 2mln (EUR 5,85 mln), including LTL 1,0 mln (EUR 0,2896 mln) to the legal reserve; LTL 9,8 mln (EUR 2,8 mln) to other reserves; LTL 8,1 mln (EUR 2,34 mln) for dividends; LTL 1,3 mln (EUR 0,376 mln) for annual pay to the employees for the annual results.

On May 2, 2006 Klaipedos nafta announced operating results since January 1, 2006 till April 30, 2006 :

Transshipment results -2179,8 thousand tons of oil products, including 502,6 thousand tons during April. Earnings (preliminary):LTL 26,81million (EUR 7,76million),including LTL 5,3million (EUR 1,53) during April.

On July 28, 2006 Klaipedos nafta announced operating results for the first six months in 2006:

During the first six months of 2006 SC Klaipedos Nafta has received LTL 43,88 mln or EUR 12,71 mln. earnings, that is 31 % more than was planned for the said six months. However, if compared to the earnings of the first six months of 2005, the amount of the earnings received is LTL 6,47 mln. or EUR 1,87 mln. less. During the first six months of 2006 the pre-tax unaudited profit is LTL 14,6 mln. or EUR 4,2 mln.; if compared to the profit of the first six months of 2005, the amount of the pre-tax unaudited profit received is LTL 4,2 mln. or EUR 1,2 mln. more. The long term investments of the first six months of 2006 made LTL 10,44 mln. or EUR 3,02 mln.; during the mentioned period the amount of the loans repaid and interests paid is LTL 10,13 mln. or EUR 2,93 mln.

47. Strategy of activity and its prospective changes during current and coming financial years

In 2007 the Company is planning to increase the loading volume of oil products by 5%. It is expected that loading of dark oil products will increase until the major client AB Mažeikių Nafta recovers the flow of light oil products. Due to this reason, the Company expects a growth of the operating-financial activity costs.

In order to attract additional flows of oil products and to fulfil the EU requirements for equipment of similar terminals, in 2007 the Company is planning to invest 9 million LTL of own funds for modernization of the terminal's reservoirs.

Key financial ratios of the Company's operating-financial activity for 2007:

| | PLANNED FOR 2007 |
|--|-------------------------|
| Annual loading of oil products, million tons | 5,8 |
| Volume of sales and services, million LTL | 75,9 |
| Operating-financial costs, million LTL | 67,2 |
| Profit before taxation, million LTL | 8,8 |
| Investments, million LTL | 9,0 |