

AB KLAIPĖDOS NAFTA

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2007



KLAIPĖDOS NAFTA
A K C I N Ė B E N D R O V Ė

**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST NINE MONTHS OF 2007
(NOT AUDITED)**

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation And Submission Of Periodic And Additional Information Of the Lithuanian Securities Commission and the Law on Securities Of The Republic Of Lithuania, we Jurgis Aušra, General Manager of AB "Klaipėdos nafta", and Johana Bučienė, Chief Accountant of AB "Klaipėdos nafta", hereby confirm that to the best of our knowledge, the attached interim financial statements of AB "Klaipėdos nafta" for the first nine months of 2007, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union, give a true and fair view of the liabilities, financial position and profit or loss of AB "Klaipėdos nafta".

General Manager

Jurgis Aušra

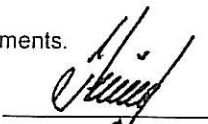

Chief Accountant

Johana Bučienė

Interim income statement

	Notes	For the nine-month period ended 30 September		For the three-month period ended 30 September	
		2007	2006	2007	2006
		Unaudited		Unaudited	
Sales		60,028	56,623	17,493	12,739
Cost of sales	3	(42,467)	(33,292)	(13,818)	(9,999)
Gross profit		17,561	23,331	3,675	2,740
Operating expenses		(6,157)	(6,667)	(1,696)	(1,893)
Operating profit		11,404	16,664	1,979	847
Other operating income (expenses), net		333	(8)	3	(37)
Income from financial and investment activities		217	269	77	63
Expenses from financial and investment activities		(1,671)	(2,197)	(537)	(746)
Profit before tax		10,283	14,728	1,522	127
Income tax	5	(1,827)	63	(18)	63
Net profit		8,456	14,791	1,504	190
Basic and diluted earnings per share (in LTL)		0.03	0.04	0.004	0.001

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		8 November 2007
Chief Accountant	Johana Bučienė		8 November 2007

Interim balance sheet

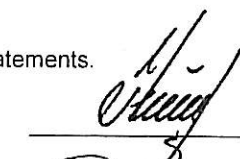

	Notes	30 September	31 December
		2007	2006
		Unaudited	Audited
ASSETS			
Non-current assets			
Intangible assets		124	148
Property, plant and equipment	7	431,194	441,405
Non-current financial assets		-	266
Total non-current assets		431,318	441,819
Current assets			
Inventories	8	1,486	1,277
Trade receivables		2,147	3,656
Prepaid income tax		2,053	417
Prepayments, other receivables and other current assets		10,456	5,853
Cash and cash equivalents	4	1,504	4,810
Total current assets		17,646	16,013
Total assets		448,964	457,832

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Interim balance sheet (cont'd)

	Notes	30 September	31 December
		2007	2006
		Unaudited	Audited
EQUITY AND LIABILITIES			
Equity			
Share capital		342,000	342,000
Legal reserve		13,790	13,140
Other reserves		35,221	29,187
Retained earnings		8,456	12,807
Total equity		399,467	397,134
Non-current liabilities			
Non-current loans	9	15,605	31,211
Deferred tax liability	5	12,175	12,330
Total non-current liabilities		27,780	43,541
Current liabilities			
Current portion of non-current loans	9	16,777	12,825
Dividends payable		53	60
Trade and other payables		2,586	1,652
Payroll related liabilities		1,666	1,570
Other current liabilities		635	1,050
Total current liabilities		21,717	17,157
Total equity and liabilities		448,964	457,832

The accompanying notes are an integral part of these financial statements.

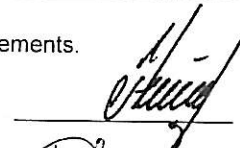

_____ General Director	_____ Jurgis Aušra		_____ 8 November 2007
_____ Chief Accountant	_____ Johana Bučienė		_____ 8 November 2007

Interim statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 31 December 2005	342,000	12,140	28,198	10,071	392,409
Transfer from reserves	-	-	(10,133)	10,133	-
Transfer to reserves	-	1,000	11,122	(12,122)	-
Dividends approved	-	-	-	(8,082)	(8,082)
Net profit for the period	-	-	-	14,791	14,791
At 30 September 2006 (unaudited)	342,000	13,140	29,187	14,791	399,118

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 31 December 2006	342,000	13,140	29,187	12,807	397,134
Transfer from reserves	-	-	(2,500)	2,500	-
Transfer to reserves	-	650	8,534	(9,184)	-
Dividends approved	-	-	-	(6,123)	(6,123)
Net profit for the period	-	-	-	8,456	8,456
At 30 September 2007 (unaudited)	342,000	13,790	35,221	8,456	399,467

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		8 November 2007
Chief Accountant	Johana Bučienė		8 November 2007

Interim cash flow statement

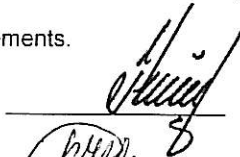
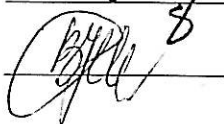
	For the nine-month period ended 30 September	
	2007	2006
	Unaudited	
Cash flows from (to) operating activities		
Net profit	8,456	14,791
Adjustments for non-cash items:		
Depreciation and amortisation	14,682	13,851
(Reversal) of impairment of property, plant and equipment, write-offs	(218)	49
Allowance for and write-offs of accounts receivable	168	-
Allowance for and write-off of inventories	1,215	720
Elimination of financial and investment activity results	1,493	1,179
Income tax expenses	1,827	(63)
	<u>27,623</u>	<u>30,527</u>
Changes in working capital:		
Decrease (increase) in inventories	(1,424)	321
Decrease in trade receivables	696	505
Decrease (increase) in prepayments, other receivables and other current assets	(4,337)	(2,264)
Increase in trade and other payables	934	(436)
Income tax paid	(2,973)	(2,066)
Increase (decrease) in other current liabilities	(319)	(316)
Net cash flows from operating activities	<u>20,200</u>	<u>26,271</u>
Cash flows from (to) investing activities		
(Acquisition) of non-current assets (except investments)	(4,233)	(10,688)
Proceeds from borrowings	-	1,224
Proceeds from sale of non-current assets (except investments)	4	74
Interest received	190	207
Net cash flows (to) investing activities	<u>(4,039)</u>	<u>(9,183)</u>

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Interim cash flow statement (cont'd)

	For the nine-month period ended 30 September	
	2007	2006
	Unaudited	
Cash flows from (to) financing activities		
Interest (paid)	(1,683)	(1,386)
Financial lease (payments)	(3,398)	(3,171)
Dividends (paid)	(6,130)	(8,082)
(Repayment) of borrowings	(8,256)	(11,114)
Net cash flows (to) financing activities	(19,467)	(23,753)
Net increase in cash and cash equivalents	(3,306)	(6,665)
Cash and cash equivalents at the beginning of the period	4,810	11,667
Cash and cash equivalents at the end of the period	1,504	5,002

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		8 November 2007
Chief Accountant	Johana Bučienė		8 November 2007

Notes to the interim condensed financial statements

1 General information

AB Klaipėdos Nafta (hereinafter "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, Klaipėda,
 Lithuania.

The Company provides storage and transshipment of oil and oil products services. The Company was registered on 27 September 1994. The Company's shares are listed in the Baltic Secondary List on the Vilnius Stock Exchange.

As at 30 September 2007 and 31 December 2006 the shareholders of the Company were:

	30 September 2007		31 December 2006	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Government of the Republic of Lithuania represented by the Ministry of Economy	241,544	70.6%	241,544	70.6%
Hansabank funds	27,922	8.2%	26,420	7.7%
Skandinaviska Enskilda Banken funds	13,834	4.0%	11,234	3.3%
Other (less than 5% each)	58,700	17.2%	62,802	18.4%
Total	342,000	100.00%	342,000	100.00%

All the shares of the Company are ordinary shares with a par value of LTL 1 each and were fully paid as of 30 September 2007 and 31 December 2006. The share capital did not change over the nine-month period of 2007 and 2006. The Company did not hold its own shares over three quarters of 2007 and 2006.

The Company declared and paid dividends for 2006 year in the amount of LTL 6,123 thousand over three quarters of 2007, plus dividends in the amount of LTL 7 thousand for the previous periods were paid (over the nine-month period of 2006 – LTL 8,082 thousand).

As of 30 September 2007 the number of employees of the Company was 300 (as of 31 December 2006 – 303).

The Company's management authorized these interim condensed financial statements on 8 November 2007. The shareholders of the Company have a statutory right either to approve the financial statements or not to approve them and require the management to prepare a new set of the financial statements.

2 Accounting principles

The interim condensed financial statements for the nine-month period ended 30 September 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2006.

2.1. Basis of preparation of the financial statements

The accounting policies adopted in preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2006, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or financial performance of the Company.

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 requires disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.

2 Accounting principles (cont'd)

2.1. Basis of preparation of the financial statements (cont'd)

- Amendments to IAS 1 (Capital Disclosures) (effective for annual periods beginning on or after 1 January 2007). This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes of managing capital.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation establishes that entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IFRS and IAS Interpretations that have been issued but are not yet effective

The Company has not applied the following IFRS and IAS Interpretations that have been issued but are not yet effective:

- *IFRS 8 Operating Segments* (effective not earlier than for annual periods beginning on or after 1 January 2009). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.
- Amendments to IAS 23 Borrowing Costs (effective once adopted by the European Union but not earlier than for annual periods beginning 1 January 2009, earlier application permitted). Revised IAS 23 requires that all borrowing costs must be capitalized to the extent they are directly attributable to the acquisition, construction or production of a qualifying asset. The choice to immediately recognize such costs as an expense is eliminated.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application. The Company is still estimating the impact of adoption of these pronouncements on the disclosures of the financial statements.

3 Cost of sales

The Company's cost of sales has mainly increased over the reporting period due to the increased railway transport services expenses, which amounted to LTL 3,688 thousand (over the nine-month period of 2006 – LTL 915 thousand), and increased power resources expenses, which over the reporting period amounted to LTL 8,486 thousand (over the nine-months period of 2006 – LTL 4,617 thousand). The increase of railway transport services expenses was caused by unfavorable weather conditions in January and February, when the Company was unable to perform loading services and subsequently the provider of the railway services billed the Company for demurrage of wagons. The natural gas prices also increased by 20%, average electricity cost increased by 11%, volume of transshipments of heavy oil products, which need more power resources, also increased by 82%.

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 UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

4 Cash and cash equivalents

	30 September 2007	31 December 2006
	Unaudited	Audited
Cash at bank	480	2,062
Cash on hand	24	194
Term deposits with a maturity of less than three months	1,000	2,554
	<u>1,504</u>	<u>4,810</u>

5 Income tax

	For the nine-month period ended 30 September 2007	For the three-month period ended 30 September 2007
	Unaudited	Unaudited
Components of the income tax expense (income)		
Current income tax		
Current income tax charge	2,015	338
Correction of income tax for the previous periods	(33)	(33)
Deferred income tax		
Change in deferred income tax	(155)	(287)
Income tax expenses recorded in the income statement	<u>1,827</u>	<u>18</u>

The Company has not accounted for the profit tax for the first, the second and the third quarters of the year 2006 and has not estimated the change in the deferred income tax.

6 Segment information

The activities of the Company are organized as one major segment – provision of oil and oil products storage and transshipment services.

7 Property, plant and equipment

Over the nine-month period of 2007 the Company acquired non-current tangible assets with a cost of LTL 3,425 thousand (over the nine-month period of 2006 – LTL 11,117 thousand).

During the reporting period the Company did not have any material write-offs and disposals.

In 2003 the Company has accounted for an impairment in the amount of LTL 244 thousand for the unused property, plant and equipment. Over the nine-month period of 2007 the Company reversed part of the impairment amounting to LTL 218 thousand. The reversal of the impairment was accounted for property, plant and equipment, which were started to be used in the Company's operating activities.

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8 Inventories

Over the nine-month period of 2007 the Company has written off inventories in use and inventories which can no longer be used with an acquisition cost of LTL 2,322 thousand. In the previous periods impairment in the amount of LTL 1,095 thousand was accounted for the part of these inventories. Write-off expenses amounting to LTL 1,227 thousand were accounted for in the income statement.

9 Borrowings

	30 September 2007	31 December 2006
	Unaudited	Audited
Non-current borrowings		
Non-current loan*	15,605	31,211
Current portion of non-current borrowings		
Current portion of non-current loan*	15,605	1,589
Current portion of financial lease**	1,172	4,570
Current portion of non-current syndicated loan***	-	6,666
	<u>16,777</u>	<u>12,825</u>
	<u>32,382</u>	<u>44,036</u>

*During the reporting period the Company repaid LTL 1,590 thousand of the loan to AB SEB Vilniaus Bankas, AB Bankas Hansabankas and AB DnB NORD Bankas. As of 30 September 2007 non-current portion of the loan amounted to LTL 15,605 thousand and current portion of the loan amounted to LTL 15,605 thousand. The repayment of the loan liabilities is secured by the guarantee of the Government of the Republic of Lithuania.

**During the reporting period the Company paid LTL 3,398 thousand of the financial lease payments to UAB Hanza Lizingas. As of 30 September 2007 the financial lease payable amounted to LTL 1,172 thousand. The maturity date of the financial lease is 30 December 2007.

***During the reporting period the Company fully repaid the syndicated loan.

During the reporting period the Company did not incur any new financial liabilities.

10 Commitments and contingencies

In the financial statements for the year 2006 there was a disclosure of Riverlake Energy (S) PTE LTD lawsuit brought against the Company for USD 1,804 thousand compensation of alleged expenses and agreement liabilities performance. Over the nine-month period of 2007 no decision related to this case was made.

In the financial statements for the year 2006 there was also a disclosure of the Company's claim to the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania related to the real estate tax calculation for the period 2000 to 2004 and a respective fine. With the acceptance of both sides the arguable amount was decreased from LTL 5,315 thousand to LTL 4,399 thousand due to the change in taxable values and due to the reduction of the period. Over the nine-month period of 2007 the Commission on Tax Disputes under the Government of the Republic of Lithuania took a resolution unfavorable for the Company, however, the Company submitted an appeal regarding the resolution to the Vilnius Regional Administrative Court.

The Company's management expects that both above mentioned issues will be solved in favor of the Company.