



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

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2010 PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED TO BE USED IN THE EUROPEAN UNION  
(UNAUDITED)

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

To: THE SECURITIES COMMISSION  
OF THE REPUBLIC OF LITHUANIA

24 August 2010 No. (4.31)A6-407

### CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Rokas Masiulis, General Manager of SC Klaipėdos Nafta, and Mantas Bartuska, Finance Director of SC Klaipėdos Nafta, hereby confirm that to the best of our knowledge the attached Interim Unaudited Financial Statements of SC Klaipėdos Nafta for the six months ended 30 June 2010, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit (loss) of SC Klaipėdos Nafta, that the attached Interim Management Report of SC Klaipėdos Nafta for the six months ended 30 June 2010 includes a fair review of the Company's business development and activities.

General Manager

*R Masiulis*

Rokas Masiulis

Finance Director

*M Bartuska*

Mantas Bartuska

## **1. ACCOUNTING PERIOD IN RESPECT OF WHICH THE MANAGEMENT REPORT WAS PREPARED**

This Interim Management Report for the first six months of 2010 is prepared for the period from 1 January 2010 up to 30 June 2010. SC Klaipėdos Nafta is referred to as the Company in this Management Report.

## **2. DETAILS ABOUT THE COMPANY**

Name of the Company:	SC Klaipėdos Nafta
Legal status:	Stock Company
Authorised capital:	LTL 342,000,000
Date and place of registration:	27 September 1994, State Enterprise Register Centre
Company code:	1106 48893
Address:	Burių street 19, 91003 Klaipėda
Company's register:	State Enterprise Register Centre
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail addresses:	<a href="mailto:info@oil.lt">info@oil.lt</a>
Internet site:	<a href="http://www.oil.lt">www.oil.lt</a>

## **3. THE CHARACTER OF THE CORE ACTIVITY**

The Company provides oil and oil products transshipment services. It imports, accumulates, stores and exports different oil products via Klaipėda Oil Terminal.

## **4. INFORMATION ON AGREEMENTS WITH SECURITIES PUBLIC TURNOVER MEDIATORS**

The Company has signed an agreement with AB SEB Bankas (code:112021238, address: Gedimino av. 12, 01103 Vilnius) for servicing securities public turnover.

## **5. AUTHORISED CAPITAL OF THE COMPANY**

As of 30 June 2010 the Company's share capital amounted to LTL 342.000.000.

**The structure of SC Klaipėdos Nafta's share capital according to the type of shares:**

Type of shares	Number of shares (ps.)	Par value in LTL	Total value in LTL	(%) in the share capital
Ordinary shares	342.000.000	1	342.000.000	100
<b>In total:</b>	<b>342.000.000</b>	<b>-</b>	<b>342.000.000</b>	<b>100</b>

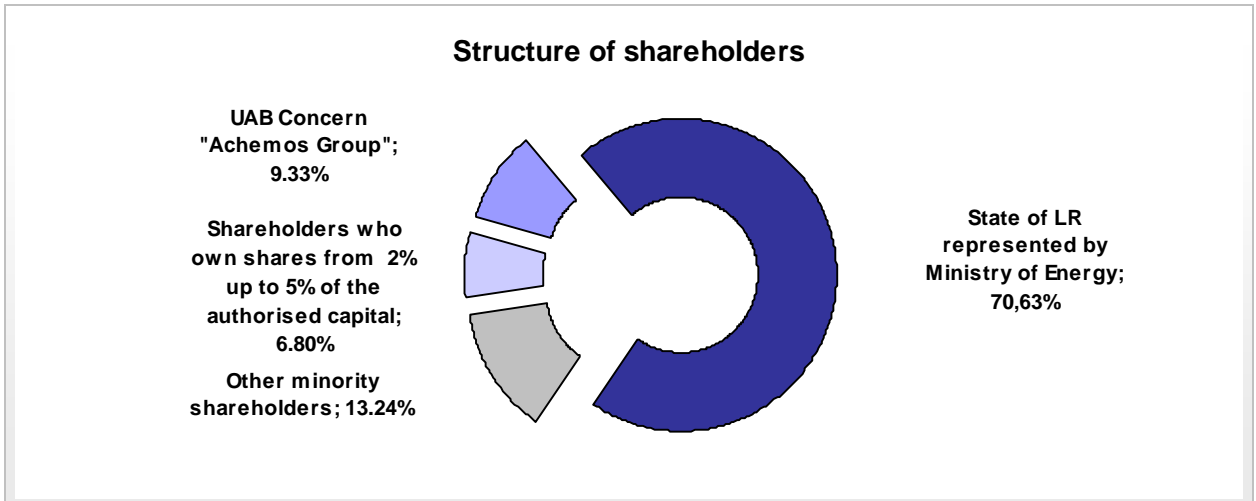
All the shares of the Company have been fully paid and no restrictions on the transfer of securities are applied to them.

## **6. INFORMATION ON THE COMPANY'S OWN SHARES**

The Company did not hold any its shares.

## 7. SHAREHOLDERS AND SHARES

All the shares of the Company (abbr. – KNF1L), ISIN code LT0000111650, are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.



All the shares of the Company are ordinary registered shares granting its owners (shareholders) equal rights. The owners (shareholders) shall be granted with the rights to participate in Company's management, unless otherwise provided for by laws, to receive dividends, rights to the part of the assets of the Company in liquidation and other rights established by the laws.

As of 30 June 2010 the total number of the shareholders of SC Klaipedos Nafta was 1.427.

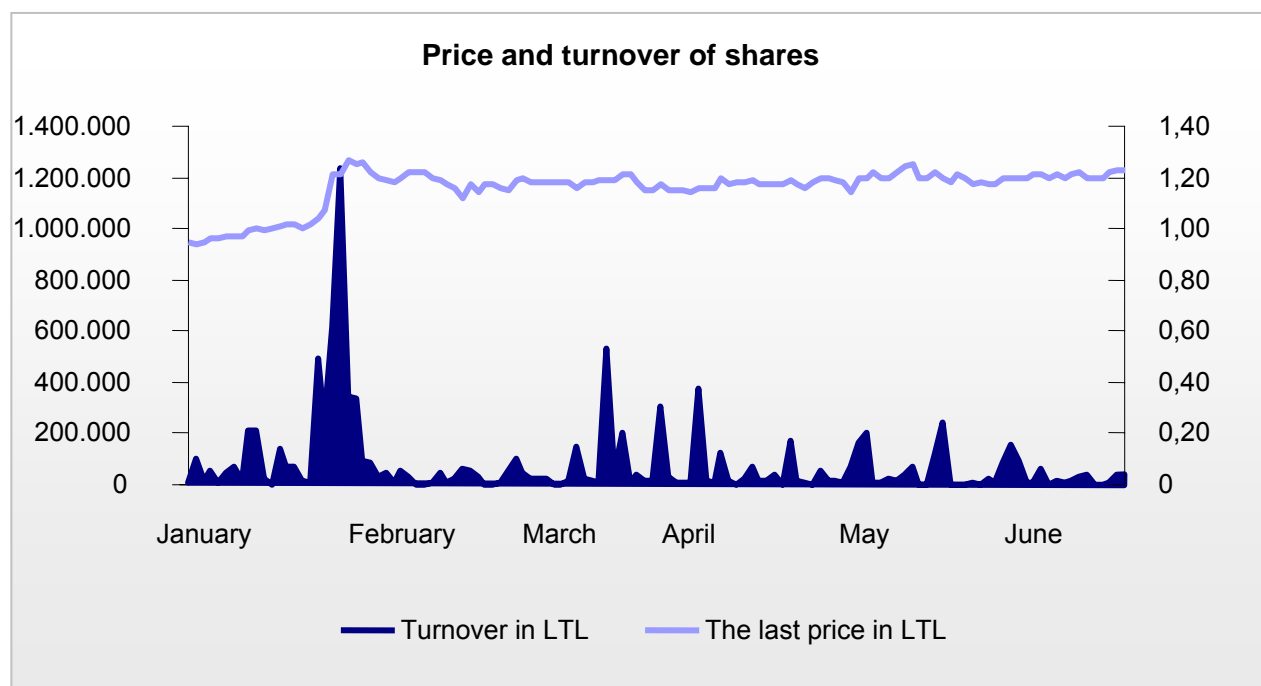
The shareholders who have owned more than 5 % of the authorised capital of the Company:

Shareholder's name (Company's name, address, Company Register Code)	Number of shares (ps.) owned by proprietary right	Part (%) of share capital
State of LR, represented by Ministry of Energy (Gedimino aven.38/2, Vilnius, 302308327)	241.544.426	70,63
UAB Concern ACHEMA GROUP, (Jonalaukio km., Jonava district, 156667399)	31.899.370	9,33

The rest – 68.556.204 shares (20,04 % of the authorised capital) belong to 1.425 minority shareholders.

<b>Development of the share price at NASDAQ OMX Vilnius Baltic during January – June 2010</b>	
Price per 1 share on 4 January 2010	LTL 0,95
Highest price per 1 share during the first six months of 2010	LTL 1,27
Lowest price per 1 share during the first six months of 2010	LTL 0,94
Price per 1 share on 30 June 2010	LTL 1,23

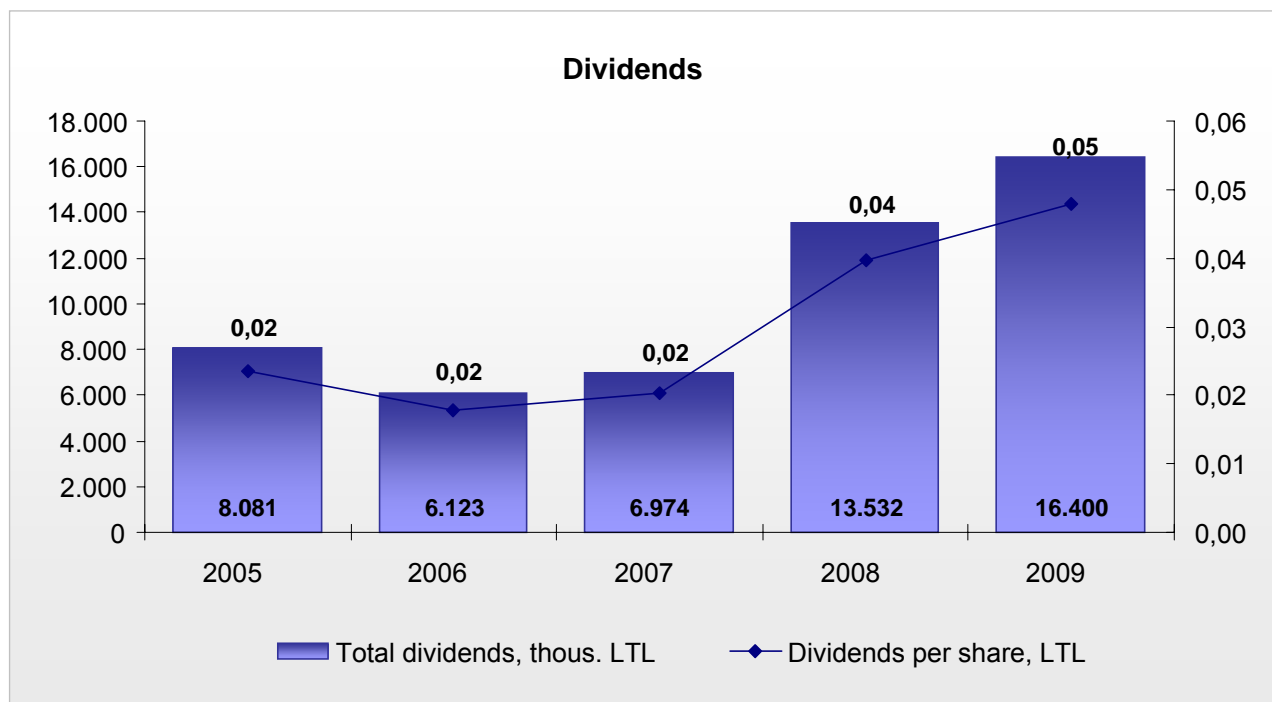
**Price and turnover of SC Klaipėdos Nafta shares at NASDAQ OMX Vilnius Baltic**



**8. INFORMATION ON THE OPERATING RESULTS OF THE COMPANY**

**8.1. Significant events of the accounting period**

The General Shareholders' Meeting, held on 27 April 2010, approved the financial statements and profit distribution plan for the year 2009. Dividends amounting to LTL 16.400 thousand were allocated to the shareholders for the year 2009.

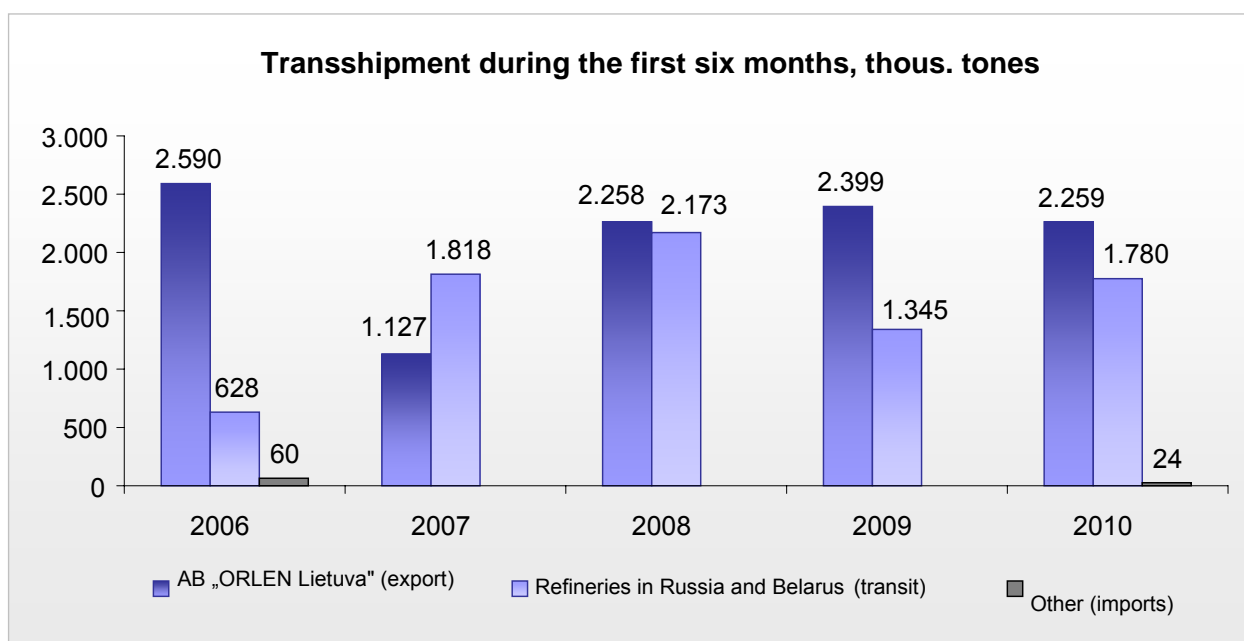


## 8.2. The core activity

The Company's core activity is reloading of oil products and other related services.

The Company transships oil products (fuel oil, vacuum gasoil, diesel, gasoline, etc.) from railway tanks into tankers as well as from tankers into railway tanks or road tankers, provides a temporary storage (accumulation) of oil products, accepts 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.



During the first six months of 2010 the Company transshipped 4.063 thousand tons of oil products, that is by 9 % or by 319 thousand tons more, if compared to the transshipment of the same period of 2009 (3.744 thousand tons).

During the first six months of 2010 transshipment of oil products, supplied by the Company's major client AB ORLEN Lietuva, has decreased by 6 % from 2.399 thousand tons down to 2.259 thousand tons, if compared to the same period of 2009.

In February 2010 the Company started operation of the new road tanker loading facilities where gasoline and diesel oil delivered by tankers is reloaded into road tankers and put on the domestic market. In 2010 the Company rendered such service to UAB Lukoil Baltija.

## 8.3. Operating results, key financial figures of the accounting period

During the first six months of 2010 the Company earned LTL 17.640 thousand net profit, that is by 7 % more if compared to the same period of 2009 (LTL 16.514 thousand).

The profit of the first six months of 2010 before tax, interest, depreciation and amortisation (EBITDA) increased by 2 % and amounted to LTL 30.677 thousand (LTL 30.074 thousand for the six months of 2009).

### Key figures

	30 June 2010	30 June 2009	30 June 2008
<b>Operating figures</b>			
Transshipment of oil products, thousand tons	4.063	3.744	4.431
Investments	1.652	2.354	994
<b>Financial figures (LTL million)</b>			
Revenues	62.946	55.671	65.354
EBITDA	30.677	30.074	34.912
Profit before taxation	20.675	20.577	24.380
Net profit	17.640	16.514	20.836
Non-current assets	400.888	404.811	419.065
Current assets	64.870	40.040	36.083
Total assets	465.758	444.851	455.148
Equity capital	446.683	424.354	413.610
<b>Profitability ratios (%)</b>			
EBITDA margin	49,7	54,0	53,4
Profit before taxation margin	32,8	37,0	37,3
Net profit margin	28,0	30,0	31,9
Return on assets (ROA)	8,8	8,0	9,8
Return on equity ratio (ROE)	8,1	7,9	10,3
<b>Financial structure ratios (%)</b>			
Debt to equity ratio	4	5	10
Leverage ratio	4	5	9
<b>Market value ratios</b>			
Share price and earnings per share ratio (P/E), times	24,6	20,4	15,2
Net profit per share, LTL	0,05	0,05	0,06
Dividends per share for the accounting year, LTL	-	0,05	0,04

Sales income of the Company during the first six months of 2010, if compared to the same period of 2009, increased by 13 % from LTL 55.671 thousand up to LTL 62.946 thousand – the increased reloading of oil products by 9 % influenced the increase in earnings (the Company's 97 % of operating income is consisted of the income from reloading of oil products).

The Company did not obtain any new financial commitments during the accounting period.



#### **8.4. Risk factors related to the Company's activities**

Competitive environment factors. The main competitors of the Company are the following terminals of the other Baltic Sea ports, reloading crude oil and oil products exported from Russia: Ventspils Nafta (Latvia), Ventbunkers (Latvia), Pakterminal (Estonia), Eurodek Tallin (Estonia), Peterburg Oil Terminal (Russia) and new Ust-Luga terminal (Russia) under construction. The most significant factors influencing the competitiveness of the Company on the market are as follows: loading and storing (accumulating) capacity of the terminal, technical parameters of the logistics chain starting with railway lines and ending with depth and number of quays, possibility to apply a flexible prices policy, long-term supply contracts as well as good relationships with suppliers.

Economic, market factors. Workload as well as earnings and profitability of the Company greatly depend on the situation on the oil market.

The Company is a part of the logistic chain that starts mostly in the oil-fields and oil refineries of Russia and ends in the Western countries. Export flow of oil products is closely connected with the prices of oil products on the global market. Usually product flow via the Baltic ports increases when high world market prices and increasing demand prevail, however if the prices go down, the export flow can decline.

Political factors. Historically the Russian and Byelorussian Governments strictly regulated export of crude oil and oil products by establishing strict export quota. Decisions regarding quota issue and exportation via specific state ports are often taken based on political motives.

Commercial factors. After signing a contract with AB ORLEN Lietuva, the future perspectives of the Company depend on the production output of AB ORLEN Lietuva. Stable functioning of the Mazeikiai Refinery guarantees constant product flow to the Company.

At present invoices for the transshipment services rendered are paid within 15 days, it is a very short time period in the sector of transshipment services.

Tariffs. Tariff fluctuation risk decreases while reloading the products, supplied by AB ORLEN Lietuva, according to the currently profitable tariffs. Fluctuations of the tariffs applied to other customers in future will be mostly related to the competitive situation on the market.

Technological factors. Technological characteristics of the Terminal are of major importance for quick and effective satisfaction of potential customers' needs and at the same time for generation of additional income. At present the deepened bottom at the jetties and the increased storage volume allow to service vessels of much greater tonnage.

Social factors. The Company and the functioning Trade union committee have concluded a Collective Agreement.

Ecological factors. Automated management systems for fire detection and extinguishing as well as a computerised management system of the loading process, technologies against pollution of air, earth and underground waters conforming to the European Standards were established in the Company. Management of emergency situations, fire protection and security systems meet the requirements of Firefighting, Labour Safety, Civil Safety, Environment Protection, Port Authority institutions of the Republic of Lithuania. The Terminal's safety has been positively evaluated according HSSE analysis and assessment carried out by British Petroleum and Shell.

## 9. ENVIRONMENT PROTECTION

The Company performs constant environmental monitoring of underground water, discharged treated waste water, impact on ambient air, stationary sources of air pollution.

Biological treatment facilities of the Company guarantee less pollution of open water basins than has been determined in the Integrated Permit of Pollution Prevention and Control.

During the first six months of 2010 running intramural expenditures for environment protection, including different environmental analyses, pollution tax, amounted to LTL 1.343 thousand (LTL 1.353 thousand – during the same period of 2009).

## 10. PERSONNEL

The Company constantly instructs and trains all its personnel of methods of safe labour. Employees who perform hazardous works and work with potentially hazardous equipment undergo training at specialist licenced centres, re-testing takes place every 5 years. Training drills and exercises are periodically arranged to train practical skills of personnel for emergency response.

The average age of the Company's personnel – 47 years. 56 % of the employees have acquired higher and special education.

### Average number of employees and average salary per month according to the personnel groups

Personnel group	Average listed number of personnel		Average salary per month, LTL	
	Six months of 2010	Six months of 2009	Six months of 2010	Six months of 2009
Managers	5	5	17.808	20.623
Specialists	87	86	4.851	5.258
Workers	214	209	3.459	3.613
<b>In total</b>	<b>306</b>	<b>300</b>	<b>3.863</b>	<b>4.091</b>

The average salary of the Company's personnel during the first six months of 2009 amounted to LTL 4.091 that is by 6 % greater, if compared to the average salary of the same period of 2010 (LTL 3.863), due to the fact that the shareholders have allocated annual bonuses for the results of 2009.

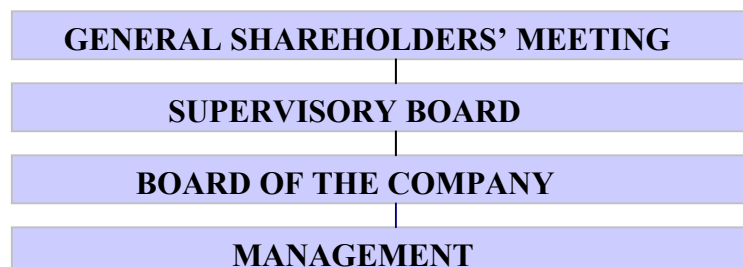
The major social guarantees for the Company's personnel have been provided for by the Collective Agreement. This Agreement comprises work, work payment, working and rest time, qualification improvement, safety and health protection, other social and economic conditions valid for all the employees of the Company.

## 11. INFORMATION ON ADHERENCE TO GOVERNANCE CODE

In 2010 the Company essentially continues to follow its compliance with the Governance Code of recommendatory character, approved by Vilnius Stock Exchange for the companies listed on the regulated market.

## 12. MANAGEMENT OF THE COMPANY

The structure of the governing bodies of the Company is as follows:



### SUPERVISORY BOARD

Name, surname	Position	Term of office
Valentinas Milaknis	Chairman of the Supervisory Board	April 2010 – April 2014
<i>Public consultant of the Prime Minister of the Republic of Lithuania. No shares owned of the Company.</i>		
Kęstutis Škiudas	A member of the Supervisory Board	April 2010 – April 2014
<i>Adviser to the Prime Minister of the Republic of Lithuania. No shares owned of the Company.</i>		
Eimantas Kiudulas	A member of the Supervisory Board	April 2010 – April 2014
<i>Director of UAB Klaipėda Free Economic Zone Management Company. No shares owned of the Company.</i>		

The members of the Supervisory Board were elected on 27 April 2010 by the General Shareholders' Meeting. During the first six months of 2010 the members of the Company's Supervisory Board did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.

### BOARD OF THE COMPANY

Name, surname	Position	Term of office
Romas Švedas	Chairman of the Board	February 2010 – April 2014
<i>Vice-minister of the Ministry of Energy. No shares owned of the Company.</i>		
Arnoldas Burkovskis	A member of the Board	February 2010 – April 2014
<i>Vice-minister of the Ministry of Economy. No shares owned of the Company.</i>		
Arvydas Darulis	A member of the Board	February 2010 – April 2014
<i>Head of Strategic Projects Division of the Ministry of Energy. No shares owned of the Company. A member of the Board of Ignalina Nuclear Power Plant PI. A member of the Board of LITGRID UAB. A member of the Board of Lithuanian Power Plant AB.</i>		
Virgilijus Poderys	A member of the Board	February 2010 – April 2014
<i>Director for Economy of Visaginas Nuclear Power Plant UAB. No shares owned of the Company.</i>		
Kęstutis Žilėnas	A member of the Board	February 2010 – April 2014
<i>Deputy Head, the Division of Energy Resources, Electricity and Heat of the Ministry of Energy. No shares owned of the Company.</i>		

**AB KLAIPEDOS NAFTA, Company code 110648893, Buriu str. 19, Klaipeda**  
**INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
**(all amounts are in LTL unless otherwise stated)**

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During the accounting period the members of the Board did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.

The Company is managed by General Manager. The General Manager is not a member of the Board.

As of 30 June 2010 the Management of the Company consisted of: General Manager, Deputy General Manager, Production Director, Technical Director, Finance Director and Director of Commerce. The Board of the Company approves the remuneration of the Management by determining multipliers for the fixed and variable parts of salaries.

During the first six months of 2010 the Management remuneration amounted to LTL 1.104 thousand (LTL 548 thousand – during the six months of 2009). The remuneration expenses increased due to the change in the Management in May 2010.

The members of the Company's governing bodies have never been convicted for crimes regarding property, management and finances.

### **MANAGEMENT OF THE COMPANY**

Name, surname	Position	Employed from
Rokas Masiulis <i>No shares owned of the Company.</i>	General Manager	May 2010
Vytautas Kazimieras Aranauskas <i>No shares owned of the Company.</i>	Deputy General Manager	May 2010
Mantas Bartuška <i>No shares owned of the Company.</i>	Finance Director	May 2010
Gediminas Vitkauskas <i>100 shares owned ( 0,00003 % of the authorised capital).</i>	Production Director	October 1995
Algimantas Žičkus <i>No shares owned of the Company.</i>	Technical Director	July 2001
Ričardas Milvydas <i>No shares owned of the Company.</i>	Director of Commerce	May 2004

### **13. References and additional explanations about interim financial statements**

All the financial data presented in this Interim Report have not been audited and have been accounted for in accordance with International Financial Reporting Standards.

### **14. Activity plans and forecasts of the Company**

In 2010 the Company has planned to reload 7.100 thousand tons of oil products. During the six months of 2010 the Company has handled 4.063 thousand tons of oil products, that is 57 % of the planned annual transshipment of oil products. It was planned to earn LTL 103.000 thousand income in 2010. During the first six months of 2010, 62 % (LTL 64.022 thousand) of the targeted annual income amount was earned.

## **15. OTHER INFORMATION**

### **15.1. Procedure of changing Articles of Association**

The activity of the Company is based on the Articles of Association, Civil Code and other laws and sub-legislative acts of the Republic of Lithuania. The General Shareholders' Meeting can amend the Articles of Association.

### **15.2. Transactions with related parties**

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. Information regarding transactions with related Parties is detailed in the Notes to the Company's Interim Financial Statements for the six months ended 30 June 2010.

## **16. DETAILS ON PUBLICLY AVAILABLE INFORMATION**

Pursuant to the Lithuanian legislation, all material events related to the Company's activity and information on time and place of the General Shareholders' Meetings are announced on the Company's internet site [www.oil.lt](http://www.oil.lt), are presented to the news agency BNS, the Stock Exchange AB NASDAQ OMX Vilnius and Securities Commission of the Republic of Lithuania.

During the first six months of 2010 the Company made 18 official announcements on material events and presented other information on the internet site of AB NASDAQ OMX Vilnius [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

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## Statement of financial position

	Notes	As of 30 June 2010 (unaudited)	As of 31 December 2009 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	443	103
Tangible assets	3	400.329	410.113
Non-current financial assets	4	116	75
<b>Total non-current assets</b>		<b>400.888</b>	<b>410.291</b>
<b>Current assets</b>			
Inventories and prepayments			
Inventories	5	3.969	3.397
Prepayments		8	8
Total inventories and prepayments		3.977	3.405
Trade and other receivables	6	6.581	4.955
Other current assets	7	25.702	6.133
Cash and cash equivalents	8	26.673	41 188
<b>Total current assets</b>		<b>62.933</b>	<b>55.681</b>
<b>Total assets</b>		<b>463.821</b>	<b>465.972</b>

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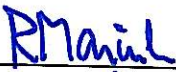

The accompanying notes, set out on pages 19 – 25, are an integral part of these financial statements



**Statement of financial position (continued)**

	Notes	As of 30 June 2010 (unaudited)	As of 31 December 2009 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	342.000	342.000
Legal reserve	9	19.000	15.670
Other reserves	9	68.043	50.170
Retained earnings		17.640	37.603
<b>Total equity</b>		<b>446.683</b>	<b>445.443</b>
<b>Non-current amounts payable and liabilities</b>			
Deferred tax liabilities	10	10.439	10.783
<b>Total non-current amounts payable and liabilities</b>		<b>10.439</b>	<b>10.783</b>
<b>Current amounts payable and liabilities</b>			
Dividends payable	19	227	103
Trade and other payables	11	1.389	6.140
Payroll related liabilities		2.685	1.215
Other current liabilities	12, 20	2.398	2.288
<b>Total current amounts payable and liabilities</b>		<b>6.699</b>	<b>9.746</b>
<b>Total equity and liabilities</b>		<b>463.821</b>	<b>465.972</b>



The accompanying notes, set out on pages 19 – 25, are an integral part of these financial statements

General Manager	Rokas Masiulis		23 July 2010
Finance Director	Mantas Bartuska		23 July 2010

## Statement of comprehensive income

	Notes	2010		2009	
		For the six months period ended 30 June (unaudited)	For the three months period ended 30 June (unaudited)	For the six months period ended 30 June (unaudited)	For the three months period ended 30 June (unaudited)
Sales	13	62.946	32.271	55.671	26.446
Cost of sales	14	(35.489)	(15.768)	(31.078)	(14.113)
<b>Gross profit</b>		<b>27.457</b>	<b>16.503</b>	<b>24.593</b>	<b>12.333</b>
Other operating income		21	10	4	2
Operating expenses	15	(7.839)	(4.953)	(4.733)	(1.748)
<b>Profit from operating activities</b>		<b>19.639</b>	<b>11.560</b>	<b>19.864</b>	<b>10.587</b>
Income from financial activities	16	1.055	475	796	430
Expenses from financial activities	16	(19)	(11)	(83)	(3)
<b>Profit (loss) before income tax</b>		<b>20.675</b>	<b>12.024</b>	<b>20.577</b>	<b>11.014</b>
Income tax expense	17	(3.035)	(1.745)	(4.063)	(1.915)
<b>Net profit</b>		<b>17.640</b>	<b>10.279</b>	<b>16.514</b>	<b>9.099</b>
Basic and diluted earnings per share, in LTL	18	0,05	0,03	0,05	0,03

The accompanying notes, set out on pages 19 – 25, are an integral part of these financial statements



General Manager	Rokas Masiulis		23 July 2010
Finance Director	Mantas Bartuska		23 July 2010



### Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance as of 31 December 2008 (audited)</b>		<b>342.000</b>	<b>14.240</b>	<b>36.534</b>	<b>28.600</b>	<b>421.374</b>
Net profit for the six months period		-	-	-	16.514	16.514
Total income and expenses during the six months period		-	-	-	16.514	16.514
Dividends declared	19	-	-	-	(13.534)	(13.534)
Transfer from reserves		-	-	(5.230)	5.230	-
Transfer to reserves	9	-	1.430	18.866	(20.296)	-
<b>Balance as of 30 June 2009 (unaudited)</b>		<b>342.000</b>	<b>15.670</b>	<b>50.170</b>	<b>16.514</b>	<b>424.354</b>
<b>Balance as of 31 December 2009 (audited)</b>		<b>342.000</b>	<b>15.670</b>	<b>50.170</b>	<b>37.603</b>	<b>445.443</b>
Net profit for the six months period		-	-	-	17.640	17.640
Total income and expenses during the six months period		-	-	-	17.640	17.640
Dividends declared	19	-	-	-	(16.400)	(16.400)
Transfer from reserves		-	-	(3.221)	3.221	-
Transfer to reserves	9	-	3.330	21.094	(24.424)	-
<b>Balance as of 30 June 2010 (unaudited)</b>		<b>342.000</b>	<b>19.000</b>	<b>68.043</b>	<b>17.640</b>	<b>446.683</b>


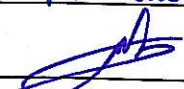
The accompanying notes, set out on pages 19 – 25, are an integral part of these financial statements

General Manager	Rokas Masiulis		23 July 2010
Finance Director	Mantas Bartuska		23 July 2010

## Cash flow statement

	2010 For the six months period, ended 30 June (unaudited)	2009 For the six months period, ended 30 June (unaudited)
<b>Cash flows from operating activities</b>		
Net profit	17.640	16.514
<b>Adjustments:</b>		
Depreciation and amortisation	11.047	10.226
Impairment and write-off of property, plant and equipment	49	1.129
Change in allowance for inventories	(20)	(123)
Change in allowance for doubtful receivables	156	-
Income tax expenses	3.035	4.063
Interest expenses (income), net	(1.043)	(701)
	<b>30.864</b>	<b>31.108</b>
<b>Changes in current assets:</b>		
(Increase) in inventories	(552)	(3.302)
Decrease (increase) in trade and other receivables	(2.052)	(6.666)
Decrease (increase) in other current assets	792	1.737
Increase (decrease) in trade and other payables	(4.751)	469
Increase (decrease) in other current liabilities and payroll related liabilities	2.429	634
Income tax paid	(3.834)	(1.118)
<b>Net cash flows from operating activities</b>	<b>22.896</b>	<b>22.862</b>
<b>Cash flows from investing activities</b>		
Acquisition of non-current assets (except investments)	(1.652)	(2.354)
Acquisition of investments	(41)	-
Investment in short-term deposits	(20.361)	4.345
Interest received	1.043	701
<b>Net cash flows from investing activities</b>	<b>(21.011)</b>	<b>2.692</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(16.400)	(13.534)
Loan repayment	-	(15.605)
<b>Net cash flows from financing activities</b>	<b>(16.400)</b>	<b>(29.139)</b>
<b>Net increase (decrease) in cash flows</b>	<b>(14.515)</b>	<b>(3.585)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>41.188</b>	<b>8.594</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>26.673</b>	<b>5.009</b>

The accompanying notes, set out on pages 19 – 25, are an integral part of these financial statements

General Manager	Rokas Masiulis		23 July 2010
Finance Director	Mantas Bartuska		23 July 2010

## Notes to the Financial Statements

### 1 General information

SC Klaipėdos Nafta (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania.

The Company was established by SC Naftos Terminalas (Lithuania) and Lancater Steel Inc. (USA) acquiring 51 and 49 percent of shares respectively. The Company was registered on 27 September 1994.

As of 30 June 2010 all the shares were owned by 1427 shareholders. The Company’s share capital – LTL 342.000.000 (three hundred forty two million) is fully paid. It is divided into 342.000.000 (three hundred forty two million) ordinary shares with a par value of LTL 1. 70,63 % of the shares (241.544.426 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the year 2010. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

As of 30 June 2010 and 31 December 2009 the shareholders of the Company were:

	As of 30 June 2010		As of 31 December 2009	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
Government of the Republic of Lithuania, represented by the Ministry of Energy	241.544	70.63	241.544	70.63
Achema AB	-	-	31.265	9.14
UAB Concern Achema Group	31.899	9.33	-	-
Swedbank funds	10.323	3.02	8.720	2.55
Skandinaviska Enskilda Banken funds	12.916	3.78	10.539	3.08
Other (less than 5 per cent each)	45.318	13.24	49.932	14.60
<b>Total</b>	<b>342.000</b>	<b>100.00</b>	<b>342.000</b>	<b>100.00</b>

The average listed number of employees for the six months of 2010 was 306 (300 - in 2009).

The Management of the Company approved these financial statements on 23 July 2010.

### 2 Accounting principles

These financial statements have been prepared on a historical basis, all the amounts are presented in Litas (LTL) and are rounded to the nearest thousand (LTL 000), except when otherwise indicated.

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted to be used in the European Union.

The Company applies the same accounting policies and the same calculation methods in preparing Interim Financial Statements as they have been used for the Annual Financial Statements of the year 2009. The principles used in preparation of financial statements were presented in more detail in the Notes to the financial statements for 2009.

### 3 Non-current tangible and intangible assets

The depreciation charge of the Company’s non-current tangible and intangible assets for the first six months of 2010 amounts to LTL 11.047 thousand (LTL 10.226 thousand – during the first six months of 2009). LTL 10.981 thousand of depreciation charge have been included into cost of sales (LTL 10.150 thousand of the first six months of 2009) in the Company’s statement of comprehensive income, the remaining amount has been included into operating expenses.

On 18 February 2010 the Company put into operation the updated system for light oil products loading into road tankers (the total value of the object - LTL 10.940 thousand) and completed updating of fuel oil unloading system of rail gantry track 1 (total value of the object - LTL 3.813 thousand).

#### 4 Non-current tangible financial assets

On 19 December 2007 the Company acquired one (1) per cent shareholding in the international pipeline company SARMATIA and purchased 180 shares at a nominal value of PLZ 500 each. During the first six months of 2010 the Company purchased additional 100 shares with the par value of PLZ 500 each of the increased capital. The investment was accounted for at the acquisition cost, the equivalent of which in Litas amounted to LTL 116 thousand as of 30 June 2010 (LTL 75 thousand as of 30 June 2009).

#### 5 Inventories

	<b>As of 30 June 2010 (unaudited)</b>	<b>As of 31 December 2009 (audited)</b>
Spare parts, construction materials and other inventories	2.642	2.641
Oil products	3.021	2.470
	5.663	5.111
Less: impairment of the net value	(1.694)	(1.714)
	<u>3.969</u>	<u>3.397</u>

Impairment has been accounted for construction materials and spare parts, which were not used during the reconstruction.

Oil products are energy products collected in the Waste Water Treatment Facilities. The oil products increased because the Company did not sell any collected heavy oil products during the years 2007 – 2010.

On June 2010 the Company stores in the storage tanks 192,8 thousand tons of oil products of the Clients (104,5 thousand tons as at June 2009). Such oil products are not recognised in the Company's financial statements, they are accounted for in the off-balance sheet accounts.

Change in the impairment of inventories as of 30 June 2010 and 2009 is included under operating costs.

#### 6 Trade and other receivables

	<b>As of 30 June 2010 (unaudited)</b>	<b>As of 31 December 2009(audited)</b>
Receivables for reloading of oil products and other related services	6.715	4.944
Other receivables	22	11
	6.737	4.955
Less: allowance for doubtful trade receivables	(156)	-
	<u>6.581</u>	<u>4.955</u>

Changes in allowance for doubtful trade receivables as of 30 June 2010 have been included into operating expenses in the statement of comprehensive income.

Trade and other receivables are non-interest bearing and are generally paid on 6 – 15 days terms.

## 7 Other current assets

	As of 30 June 2010 (unaudited)	As of 31 December 2009 (audited)
Short-term deposits	25.105	4.744
Other receivables	736	542
Deferred expenses	341	487
Prepaid taxes	-	842
	<u>26.182</u>	<u>6.615</u>
Less: impairment of the value of other current assets	(480)	(482)
	<u><u>25.702</u></u>	<u><u>6.133</u></u>

The change in the impairment of other current assets during 2009 and 2010 was included into the operating expenses in the statement of comprehensive income.

As of 30 June 2010 the Company had nine term deposits amounting to LTL 25.105 thousand with the maturity of 91 – 180 days and the annual interest rate of 2,9 – 7,9 per cent.

As of 31 December 2009 the Company had two term deposits amounting to LTL 4.744 thousand with the maturity of 120 – 122 days and the annual interest rate of 6,6 – 6,9 per cent.

## 8 Cash and cash equivalents

	As of 30 June 2010 (unaudited)	As of 31 December 2009 (audited)
Cash at bank	26.643	8.142
Short-term deposits	-	32.922
Cash in hand	30	124
	<u>26.673</u>	<u>41.188</u>

As of 30 June 2010 the Company had no term deposits with the maturity up to 90 days, free assets were temporarily kept in the bank accounts.

As of 31 December 2009 the Company had thirteen term deposits amounting to LTL 32.922 thousand with the maturity up to 94 days, therefore they were accounted for under cash and cash equivalents accounts. Other term deposits with the maturity longer than 3 months were accounted for under other current assets account (note 7).

## 9 Reserves

### Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 percent of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10 per cent of the share capital. The General Shareholders' Meeting, held on 27 April 2010, approved profit distribution plan for the year 2009 and allocated LTL 3.330 thousand to the legal reserve.

### Other reserves

Other (distributable) reserves are formed based on the decision of the General Shareholders' Meeting on profit distribution. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. The largest portion of the Company's other reserves are formed for investments, charity and employee bonuses.

## 10 Deferred income tax

	As of 30 June 2010 (unaudited)	As of 31 December 2009(audited)
<b>Deferred tax asset</b>		
Non-current tangible assets (depreciation and interest)	1.326	1.270
Inventories	254	257
Accrued vacation reserve	214	180
Receivables	93	70
Deferred tax asset before valuation allowance	1.887	1.777
Less: allowance valuation	(93)	(70)
Deferred tax asset, net	1.794	1.707
<b>Deferred tax liability</b>		
Non-current tangible assets	(12.233)	(12.490)
Deferred income tax liability	(12.233)	(12.490)
Deferred income tax, net	(10.439)	(10.783)

Deferred income tax asset and deferred income tax liability in Company's statement of financial position are set-off as they both are related to the same tax authority.

## 11 Trade and other payables

	As of 30 June 2010 (unaudited)	As of 31 December 2009(audited)
Other trade payables	552	1.364
Payable for construction and repair works	465	4.237
Payable for railway services	372	539
	1.389	6.140

Trade payables are non-interest bearing and are normally settled on 30-day terms.

## 12 Other current liabilities

	As of 30 June 2010 (unaudited)	As of 31 December 2009(audited)
Tax on land rent	589	14
Dividends payable	227	103
Accrued expenses	40	162
Tax on real estate payable	-	638
Advances received	-	59
	856	976

Other payables are non-interest bearing and have an average term of one month.

### 13 Sales

	The six months period ended 30 June (unaudited)	
	2010	2009
Sales of oil loading / unloading services	60.956	54.167
Other sales related to loading	1.990	1.504
	<u>62.946</u>	<u>55.671</u>

Other sales related to oil loading include mooring, sales of fresh water, transportation of crew and other relates services to loading.

### 14 Cost of sales

	The six months period ended 30 June (unaudited)	
	2010	2009
Depreciation and amortisation	10.981	10.150
Wages, salaries and social security	7.848	7.779
Heating and steam	8.415	6.953
Railway services	3.910	2.418
Electricity	2.846	2.118
Repair and maintenance of non-current assets	119	374
Other	1.370	1.286
	<u>35.489</u>	<u>31.078</u>

### 15 Operating expenses

	The six months period ended 30 June (unaudited)	
	2010	2009
Salaries, bonuses and social security	3.284	1.511
Tax on real estate rent	1.277	1.331
Rent of land and quays	1.175	1.175
Insurance of assets	392	497
Depreciation and amortisation	66	52
Change in allowance for receivables	228	81
Change in the impairment of non-current tangible assets	508	(1)
Other	909	87
	<u>7.839</u>	<u>4.733</u>

The remuneration expenses in 2010 increased due to the bonuses of LTL 1.200 thousand allocated by the decision of the General Shareholders' Meeting for the financial results in 2009 as well as additional compensations paid to the Management due to the Management changes in May 2010.

## 16 Income (expenses) from financial activities, net

	The six months period ended 30 June (unaudited)	
	2010	2009
Interest income	1.043	780
Gain from currency exchange	2	2
Other	10	14
Financial income, total	1.055	796
Interest and loan administration costs	-	(79)
Losses from currency exchange	(19)	(4)
Financial expenses, total	(19)	(83)
	<b>1.036</b>	<b>713</b>

## 17 Income tax

	The six months period ended 30 June (unaudited)	
	2010	2009
<b>Components of the income tax expense (income)</b>		
Current year income tax (15 %)	3.378	4.063
Deferred tax expense (income)	(343)	-
Income tax expenses charged to the statement of comprehensive income	3.035	4.063

## 18 Earnings per share, basic and diluted

Basic earnings per share amounts are calculated by dividing net profit of the Company by the number of the shares available. Diluted earnings per share equal to basic earnings per share as the Company has no shares issued. Basic and diluted earnings per share are as follows:

	The six months period ended 30 June (unaudited)	
	2010	2009
Net profit attributable to shareholders	17.640	16.514
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,051	0,048

## 19 Dividends

	2010*	2009*
Dividends declared	16.400	13.532
Weighted average number of ordinary shares (thousand)	342.000	342.000
Dividends paid per share (expressed in LTL per share)	0,048	0,040

\* the year when dividends were declared

On 27 April 2010 the Company's shareholders announced dividends amounting to LTL 16.400 thousand for 2009 (LTL 13.532 thousand for 2008 on 23 April 2009). The major part of the amount was paid during 2010. The remaining amount of declared dividends to the shareholders, who were not found according to the stated addresses, is accounted for under



dividends payable caption in the statement of financial position. As of 30 June 2010 the outstanding amount of dividends not paid during the previous year amounted to LTL 227 thousand (as of 30 June 2009: LTL 103 thousand).

## 20 Related party transactions

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions.

### Transaction with State institutions

	<b>As of 30 June 2010 (unaudited)</b>	<b>As of 31 December 2009(audited)</b>
<b>Taxes payable</b>		
Income tax	957	1.412
Value added tax	549	-
Personal income tax	211	-
Other operating taxes	50	14
Contributions to warranty reserve	2	2
Tax on real estate	-	638
	<u>1.769</u>	<u>2.066</u>

### Remuneration to the Management and other payments

During the first six months of 2010 the remuneration expenses of the Company's Management, comprised of General Manager, Deputy General Manager, Production Director, Technical Director, Finance Director and Director of Commerce, amounted to LTL 1.104 thousand (LTL 548 thousand during six months in 2009). The remuneration expenses increased due to the change in the Management in May 2010.

During the first six months of 2010 and 2009 the Management of the Company did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.

## 21 Subsequent events

On 15 July 2010 the State Commission accepted and acknowledged as proper for usage the completed object "Reconstruction of storage tank T-34-7101 and process lines of Waste Water Facilities".

On July 21 2010 the Government of the Republic of Lithuania by its resolution No. 1097 "Regarding the development of liquefied natural gas terminal" enabled the Company to commence development of the project of LNG terminal.

No other significant events have occurred after the date of financial statements.

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