SC KLAIPĖDOS NAFTA
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARTS, AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)

Content   Pages

Statement of financial position

	Notes	30 June 2012	31 December 2011
ASSETS		(unaudited)	
Non-current assets			
Intangible assets		366	465
Property, plant and equipment		430,913	383,907
Other financial assets	7	2,051	5,352
Investment in associates		427	427
Total non-current assets		**433,757**	**390,151**
Current assets			
Inventories	4	2,183	1,674
Prepayments		434	223
Trade receivables	5	4,190	4,335
Other receivables	6	1,958	2,565
Other financial assets	7	26,718	110,427
Cash and cash equivalents	8	67,760	9,983
Total current assets		**103,243**	**129,207**
Total assets		**537,000**	**519,358**

(cont'd on the next page)

The accompanying notes, set out on pages 8-16, are an integral part of these financial statements.

Statement of financial position (cont‘d)

	Notes	30 June 2012	31 December 2011
EQUITY AND LIABILITIES		(unaudited)	
Equity			
Share capital	1	380,606	342,000
Share premium		13,512	-
Legal reserve		22,561	19,000
Reserve for own shares		55,000	-
Other reserves		23,727	68,043
Retained earnings		21,499	71,226
Total equity		**516,905**	**500,269**
Non-current liabilities			
Deferred tax liabilities		7,628	7,709
Non-current employee benefits		885	785
Total non-current liabilities		**8,513**	**8,494**
Current liabilities			
Trade payables	9	3,428	4,671
Payroll related liabilities	10	3,365	2,559
Provision		648	493
Income tax payable		3,548	1,838
Prepayments received		-	49
Dividends payable		39	39
Other payable and current liabilities	11	554	946
Total current liabilities		**11,582**	**10,595**
Total equity and liabilities		**537,000**	**519,358**

The accompanying notes, set out on pages 8-16, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMaiil	20 August 2012
Finance Director	Mantas Bartuška		20 August 2012

Statement of comprehensive income

	Notes	For the six months period ended **30 June 2012**	For the three months period ended **30 June 2012**	For the six months period ended **30 June 2011**	For the three months period ended **30 June 2011**
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	12	68,105	30,695	79,772	46,762
Cost of sales	13	(40,274)	(17,742)	(44,840)	(22,532)
Gross profit		**27,831**	**12,953**	**34,932**	**24,230**
Operating expenses		(3,686)	(1,862)	(3,595)	(1,936)
Other operating income (expenses) – net result		24	20	13	2
Profit from operating activities		**24,169**	**11,111**	**31,350**	**22,296**
Income from financial activities	14	1,264	516	728	449
Expenses from financial activities		(27)	(25)	(4)	(3)
Share of profit of equity accounted investees		**25,406**	**11,602**	**32,074**	**22,742**
Profit before income tax		(3,907)	(1,784)	(4,173)	(2,880)
Income tax expense		**21,499**	**9,818**	**27,901**	**19,862**
Net profit		**-**	**-**	**-**	-
Other comprehensive income (expenses)		**21,499**	**9,818**	**27,901**	**19,862**
Total comprehensive income					
	15	0.06	0.03	0.08	0.06

The accompanying notes, set out on pages 8-16, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMaile	20 August 2012
Finance Director	Mantas Bartuška		20 August 2012

Statement of changes in equity

	Share capital	Share premium	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
Balance as of 31 December 2010	**342,000**	**-**	**19,000**	**-**	**68,043**	**25,973**	**455,016**
Net profit for the six months period	-	-	-	-	-	27,901	27,901
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	27,901	27,901
Balance as of 30 June 2011 (unaudited)	**342,000**	**-**	**19,000**	**-**	**68,043**	**53,874**	**482,917**
Balance as of 31 December 2011 (audited)	**342,000**	**-**	**19,000**	**-**	**68,043**	**71,226**	**500,269**
Net profit for the six months period	-	-	-	-	-	21,499	21,499
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	21,499	21,499
Dividends paid	**-**	**-**	**-**	**-**	**-**	(56,981)	(56,981)
Transfers between reserves	**-**	**-**	3,561	55,000	(44,316)	(14,245)	-
Increase in share capital	38,606	13,512	-	-	-	-	52,118
Balance as of 30 June 2012 (unaudited)	**380,606**	**13,512**	**22,512**	**55,000**	**23,727**	**21,499**	**516,905**

The accompanying notes, set out on pages 8-16, are an integral part of these financial statements.

General Manager	Rokas Masiulis		20 August 2012
Finance Director	Mantas Bartuška		20 August 2012

Cash flow statement

	Notes	For six months period, ended 30 June (unaudited) 2012	2012 (restated)
Cash flows from operating activities			
Net profit	15	21,499	27,901
Adjustments for non cash items:			
Depreciation and amortisation	3	11,168	11,595
Property, plant and equipment write-offs		255	-
Accrued emission rights		155	(240)
Change in employee benefit liabilities		99	45
Change in allowance for doubtful receivables	7	(1)	-
Accrued income		(71)	(4,597)
Change in vacation reserve		(185)	-
Income tax expenses		3,907	4,173
Interest income	14	(1,249)	(718)
		35,577	**38,159**
Changes in working capital:			
(Increase) decrease in inventories		(509)	2,640
Decrease (increase) in prepayments		(189)	(294)
Decrease (increase) in trade and other accounts receivable		145	(2,458)
Decrease (increase) in other receivables		(1,506)	-
Increase (decrease) in trade and other payables		(1,243)	(2,066)
Decrease (increase) in prepayments received		(49)	-
Increase (decrease) in other current liabilities and payroll related liabilities		599	554
		32,825	**36,535**
Income tax (paid)		(440)	(3,432)
Interest received		575	718
Net cash flows from operating activities		**32,960**	**33,821**
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets		(12,839)	(2,529)
Acquisition of Investments held-to-maturity		(243,212)	(106,518)
Sales of investments held-to-maturity		331,222	66,263
Net cash flows from investing activities		**75,171**	**(42,784)**
Cash flows from financing activities			
Increase in share capital		6,627	**-**
Dividends paid		(56,981)	**-**
Net cash flows from financing activities		**(50,354)**	**-**
Net increase (decrease) in cash flows		**57,777**	**(8,963)**
Cash and cash equivalents on 1 January		**9,983**	**29,501**
Cash and cash equivalents on 30 June		**67,760**	**20,538**

The accompanying notes, set out on pages 8-16, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMaile	20 August 2012
Finance Director	Mantas Bartuška		20 August 2012

Finansinių ataskaitų aiškinamasis raštas

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 main activities of the Company – oil products transhipment services and other related.

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 2012 all the shares were owned by 1,732 shareholders. The Company‘s share capital – LTL 380,606,184 (three hundred eighty million six hundred six thousand one hundred eighty-four) is fully paid. It is divided into 380,606,184 (three hundred eighty million six hundred six thousand one hundred eighty-four) ordinary shares with a par value of LTL 1. 72.32 % of the shares (275,241,290 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 six months period in 2012. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

As of 30 June 2012 and 31 December 2011 the shareholders of the Company were:

	30 June 2012		31 December 2011	
	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	275,241	72.32	241,544	70.63
UAB Concern Achema Group	38,975	10.24	32,766	9.58
Swedbank funds	10,057	2.64	10,817	3.16
Skandinavska Enskilda Banken funds	10,869	2.86	14,254	4.17
Other (less than 5 per cent each)	45,464	11.94	42,619	12.46
Total	380,606	100.00	342,000	100.00

The average number of employees on 30 June 2012 was 312 (316 – on 30 June 2011).

The Management of the Company approved these Financial Statements on 20 August 2012.

2 Accounting principles

These financial statements have been prepared on a historical cost basis.

The financial statements are presented in Litas and all values are rounded to the nearest thousand (LTL 000), except when otherwise indicated.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

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 2011. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2011.

3 Property, plant and equipment

During the six months of this year the Company has continued works in the following objects:

- *Liquefied natural gas terminal project.* On 30 June 2011 SC Klaipėdos Nafta signed an Agreement with the Lead Adviser for preparation and implementation of liquefied natural gas (LNG) terminal's project – the international company FLUOR. The Extraordinary General Shareholders' Meeting of SC Klaipėdos Nafta held on 27 July 2011 approved the conclusion of the Agreement. The Agreement provides for the Lead Adviser during four years to prepare the technical development plan of the Project, assist in selection of technologies, perform actions in order to get obligatory permits, solve the matters related to the safety of the project, navigation as well as other issues associated with the technical implementation of the Project. Further, the Adviser will perform works related to the economic part – will produce business model of the Terminal, financial model and develop strategy of the Terminal's performance. The Adviser will also supervise technical realization of the Project during its entire execution period - until the end of 2014 when the Terminal will start its activities.

  As of 30 June 2012 the investments into implementation of LNG Terminal's project amounted to LTL 19,547 thousand – the major costs of which comprised advance payments of LTL 12,424 thousand according to the Agreement to be paid to the Lead Adviser for preparation and implementation of liquefied natural gas terminal's project as well as for legal and other research services.

- *Utilisation of carbohydrate vapours from railway trestles.* On 10 June 2010 the Company started its investment project "Procurement of vapour recovery unit" after implementation of which the environment pollution will be reduced. On 29 September 2011 the Contract was concluded with "John Zink International Luxembourg SARL"regarding procurement of the equipment. The equipment will be supplied in the third quarter of 2012. The Contractor for construction works was selected according to the tender procedure. Technical task for recuperator's mounting works is being prepared for public procurement of the contractor. The Company has already invested LTL 930 thousand into this project. The total amount of investments into the project "The Procurement of vapour recovery unit" will amount about LTL 7 million.

- *Updating of HFO unloading system of rail gantry track 2*. The total value of the works performed amounted to LTL 7,295 thousand.

- *Reconstruction of the park of dark oil product reservoirs*, which involves demolishing of 4 reservoirs with the capacity 5.000 m^3 and construction of 2 reservoirs with the capacity 32.250 m^3. The total value of the works performed amounted to LTL 1,692 thousand.

The depreciation charge of the Company's property, plant and equipment for the six months of 2012 amounts to LTL 11,168 thousand (LTL 11,595 thousand – during six months of 2011). LTL 11,056 thousand of depreciation charge have been included into cost of sales (LTL 11,511 thousand – during six months of 2011) and the remaining amount has been included into operating expenses.

4 Inventories

	30 June 2012	**31 December 2011**
	(unaudited)	
Oil products for sale	1,792	1,503
Spare parts, construction materials and other inventories	391	171
	2,183	**1,674**

As of 30 June 2012 the Company accounted the allowance of LTL 5,992 thousand for the inventories (31 December 2011 - LTL 5,979 thousand), that have been written off down to the net realizable value. The Company writes allowance for the inventories down to the net realisable value if they are not used for more than 6 months.

Allowance has been accounted for construction materials and spare parts, which were not used during the reconstruction (1996 – 2005).

As of 30 June 2012 the Company stored 167.0 thousand tons of oil products delivered for transhipment in its storage tanks (143.8 thousand tons as on 31 December 2011). Such oil products are not recognised in the Company's financial statements, they are accounted for in the off-balance sheet accounts as the Company has no ownership rights into oil products.

Oil products for sale are energy products collected in the Waste Water Treatment Facilities. On 30 June 2012 the Company stored 2,100 tons of heavy oil productsproducts collected in its Waste Water Treatment Facilities (31 December 2011 – 1,945 tons).

5 Trade receivables

	30 June 2012	31 December 2011
	(unaudited)	
Receivables for reloading of oil products and other related services	4,190	4,335
	4,190	**4,335**

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

On 30 June 2012 trade debts to the Company in the amount of LTL 1,108 thousand were denominated into EURO (LTL 1,926 thousand – on 31 December 2011).

6 Other receivables

	30 June 2012	31 December 2011
	(unaudited)	
Accrued income	1,459	1,388
VAT receivable	417	715
Accrued interest on term deposits	82	409
Other receivables	13	66
	1,971	2,578
Less: impairment allowance for receivables	(13)	(13)
	1,958	**2,565**

The change in allowance for receivables has been included into operating expenses in the Statement of Comprehensive income.

7 Other financial assets

	30 June 2012	31 December 2011
	(unaudited)	
Loans and receivables		
Cession of rights in Vnesekonom bank	100	100
Loan to UAB „Žavesys“	360	361
Less: impairment allowance for receivables	(460)	(461)
Total loans and receivables	**-**	**-**
Investments held- to-maturity		
Investments into the state government bonds of Lithuania	-	44,174
Short-term deposits	23,040	61,717
Investments into the government bonds of Lithuanian banks	3,678	4,476
Investments into the government bonds of foreign banks	-	5,412
Total investments held-to-maturity	**26,718**	**115,779**
Total other financial assets	**28,769**	**115,779**
Current part	**26,718**	**110,427**
Non-current part	**2,051**	**5,352**

Carrying values of other financial assets are denominated in the following currencies:

Currency	30 June 2012	31 December 2011
	(unaudited)	
EUR	21,698	77,248
LTL	7,071	38,531
	28,769	**115,779**

7 Other financial assets (cont'd)

On 24 January 2003 AB „Naftos terminalas", as a part of settlement for the shares acquired, transferred to the Company the right of demand for the deposit of USD 95.266 thousand (or LTL 277.243 thousand) in the liquidated Vnesekonom bank and the right to the loan provided to UAB "Zavesys". Cost of sales of the right in the liquidated Vnesekonom bank amounts to LTL 100 thousand. The Company's Management considers the receivables subject to the acquired rights of demand to be doubtful therefore they have been accounted for by cost less 100 % of allowance.

The maximum exposure of these investments to credit risk at the reporting date was represented by carrying value of the securities and term deposits, classified as investments held to maturity.

8 Cash and cash equivalents

	30 June 2012	31 December 2011
	(unaudited)	
Short-term deposits	46,842	3,044
Government bonds of Lithuanian banks	16,139	-
Cash at bank	4,779	5,136
Government bonds of foreign countries	-	1,803
	67,760	**9,983**

Calculated values of cash and cash equivalents are denominated in the following currencies:

Currency	30 June 2012	31 December 2011
	(unaudited)	
EUR	46,006	3,993
LTL	21,754	5,990
	67,760	**9,983**

The maximum exposure of these investments to credit risk at the reporting date was represented by carrying value of the securities and term deposits, classified as investments held to maturity.

9 Trade and other payables

	30 June 2012	31 December 2011
	(unaudited)	
Payable to contractors	1,039	1,204
Payable for rent of land	514	514
Payable for railway services	359	336
Other trade payables	1,516	2,617
	3,428	**4,671**

9 Trade and other payables (cont'd)

Trade payables are non-interest bearing and are normally settled on 30-day terms. On 30 June 2012 trade payables of LTL 51 thousand were denominated into euro, LTL 196 thousand were denominated into rouble (LTL 610 thousand were denominated into euro – on 31 December 2011).

10 Liabilities related to labour relations

As of 30 June 2012 the Company's liabilities, related to labour relations, were mainly comprised of salaries payable for June of LTL 1,687 thousand, vacation reserve of LTL 1,687 thousand (As of 31 December 2011 the Company's liabilities, related to labour relations, were mainly comprised of vacation reserve of LTL 1,317 thousand and accrued bonuses in the amount of LTL 1,200 thousand for the annual results).

11 Other current liabilities

	30 June 2012	**31 December 2011**
	(unaudited)	
Accrued expenses	241	437
Tax on real estate payable	296	485
Other	17	24
	554	**946**

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

12 Sales income

	For six months period, ended 30 June (unaudited)	
	2012	**2011**
Sales of oil transhipment services	57,714	68,520
Revenues for storage of oil products	8,467	4,045
Sales of heavy oil productsproducts collected in the Waste Water Treatment	-	5,694
Other sales related to transhipment	1,924	1,513
	68,105	**79,772**

The reduction of revenues of 2012 was greatly determined by the reduced transshipment of oil products from AB „Orlen Lietuva" due to the planned capital repair works in this refinery and the seasonally reduced transshipment of oil products from Russia. In 2011 the Company's revenues increased due to successful sales of oil products recovered from bilge waters that brought LTL 5.694 thousand.

Other sales related to reloading include moorage, sales of fresh water, transportation of crew and other sales related to reloading.

13 Cost of sales

	For six months period, ended 30 June (unaudited)	
	2012	**2011**
Natural gas	11,060	9,848
Depreciation and amortisation	11,056	11,511
Wages, salaries and social security	8,020	7,970
Railway services	3,158	4,773
Electricity	2,889	3,025
Rent of land and quays	1,028	1,028
Repair and maintenance of property, plant and equipment	654	696
Tax on real estate	592	975
Insurance of assets	498	463
Work safety costs	195	121
Emission rights expenses	154	576
Cost of sold inventories	-	2,966
Other	970	874
	40,274	**44,826**

14 Income (expenses) from financial and investment activities, net

	For six months period, ended 30 June (unaudited)	
	2012	**2011**
Interest income	1,249	666
Profit from currency exchange	15	-
Fines received	-	62
Financial income, total	**1,264**	**728**
Losses from currency exchange	(27)	(10)
Financial expenses, total	**1,237**	**718**

15 Earnings per share, basic and diluted

Basic earnings per share are calculated by dividing net profit of the Company by the number of the shares available. Diluted earnings per share equal to basic earnings per share as the Company has no instruments issued that could dilute shares issued.

	For six months period, ended 30 June (unaudited)	
	2012	**2011**
Net profit attributable to shareholders	21,499	27,901
Weighted average number of ordinary shares (thousand)	380,606	342,000
Earnings per share (in LTL)	0.06	0.08

16 Related party transactions

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them in 2012, 2011 and 2010 were as follows:

Transactions with Lithuanian State controlled enterprises and institutions

		Purchases from related parties	Sales to related parties	Receivables from related parties	Payables to related parties
State Tax Inspectorate at the Finance Ministry of the Republic of Lithuania	30 June 2012	4,526	-	-	1,064
	30 June 2011	5,170	-	-	1,975
	30 June 2010	4,369	-	-	1,769
State Social Insurance Fund Board under the Ministry of Social Security and Labour	30 June 2012	1,290	-	-	645
	30 June 2011	2,358	-	-	-
	30 June 2010	2,350	-	-	-
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	30 June 2012	1,028	-	-	514
	30 June 2011	1,028	-	-	514
	30 June 2010	1,175	-	-	587
AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	30 June 2012	3,184	-	-	359
	30 June 2011	4,773	-	-	234
	30 June 2010	3,910	-	-	372
AB „Lesto“, owned by the State of Lithuania represented by the Ministry of Energy	30 June 2012	1,323	-	-	161
	30 June 2011	3,025	-	-	384
	30 June 2010	2,846	-	-	332
Other related parties	30 June 2012	-	21	2	-
	30 June 2011	-	15	1	-
	30 June 2010	-	17	2	-
Transactions with related parties, in total:	**30 June 2012**	**11,312**	**21**	**2**	**2,743**
	30 June 2011	**16,354**	**15**	**1**	**3,107**
	30 June 2010	**14,650**	**17**	**2**	**3,060**

Remuneration to the Management and other payments

The Company's Management is comprised of General Manager, Deputy General Manager, Production Director, Finance Director, Commercial Director and LNG Terminal Director.

	30 June 2012	**31 December 2011**
	(unaudited)	
Labour related disbursements	789	1,044
Number of managers	6	7

During six month period in 2012 and 2011 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

17 Subsequent events

- On 3 July 2012, the amended Articles of Association of Klaipėdos Nafta AB (hereinafter, the "Company") were registered with the Register of Legal Persons after the increase of the authorised capital of the Company up to LTL 380,606,184. The authorised capital of the Company was increased after allocation of the new issue of Company's shares, the total nominal value of which is LTL 38,606,184, to current shareholders of the Company (the new shares were issued according to the resolutions of the annual general meeting of shareholders of the Company held on 27 April 2012).
- On 5 July 2012 the Company and state enterprise Klaipėda State Seaport Authority (hereinafter, the Authority) has signed the General Bilateral Agreement on Development of Infrastructure / Suprastructure of Klaipėda Seaport (hereinafter, the Agreement), whereby parties agreed on main cooperation conditions with respect to development of liquefied natural gas (hereinafter, LNG) terminal project.

  The Agreement stipulates undertaking of the Authority to execute works of preparation of Klaipėda Seaport (hereinafter, the Port) for the LNG terminal, including, but not limited to, water area dredging works, navigation and radar equipment and systems installation (upgrade), training of personnel, adoption or amendment of legal acts that are within the limits of the Authority's competence, performing of additional navigation studies, testing and checking, if necessary. Subject to adoption of a resolution of the Government of the Republic of Lithuania on the mechanism and sources of the compensation for the investments into the Port infrastructure, based on the Agreement the Company shall finance and organise works, which are intended for the LNG terminal, i.e. works of the Port infrastructure (including, but not limited to, construction of jetty intended for the mooring of the floating LNG storage, high pressure gas platform, servicing platform), and suprastructure, and the Authority shall compensate costs incurred by the Company with respect to creation of the Port infrastructure. The Company shall not bear title to the Port infrastructure, because in accordance with applicable laws title to the Port infrastructure may be borne only by the Republic of Lithuania. The Company shall use the Port infrastructure on the bases of a contract with the Authority.

  The Agreement came into force in 19 July 2012 by the approval the board of the Authority.

  Implementation of the Agreement shall be controlled and coordinated by the Project Implementation Commission composed of members delegated by both parties. Works of infrastructure and suprastructure shall be procured by public procurement commission composed of representatives of the Company and the Authority. The parties have agreed that public tenders on procurement of infrastructure and suprastructure works may be started immediately after signing of the contract.

  In addition to the Agreement, a contract on granting of a right to use the territory of the Port for the construction works of LNG terminal infrastructure was concluded.

- On 10 July 2012 the shares of the new share issue of Klaipėdos Nafta AB (38,606,184 units) were introduced to the Secondary List of AB NASDAQ OMX Vilnius stock exchange and admitted to trading.

  The new issue of Klaipėdos Nafta AB shares was issued by way of increase of the authorised capital of the company. The total amount of the authorised capital of Klaipėdos Nafta AB is LTL 380,606 thousand and the total number of the outstanding shares of the company is 380,606,184 units.

- On 11 July 2012 the Government of the Republic of Lithuania adopted a resolution on amendment of the resolution of the Government of the Republic of Lithuania No. 199 "On Development of Liquefied Natural Gas Terminal". The Government of the Republic of Lithuania (including, but not limited):

  - ✓ granted an approval for the Company to construct the infrastructure of the Port and obligated the Authority to compensate all expenses of the Company, which will be incurred with respect to construction of infrastructure of the Port;
  - ✓ defined mechanism and sources of the compensation for the investments of the Authority into the infrastructure of the Port, which is intended exceptionally for the liquefied natural gas terminal;
  - ✓ assigned to the Ministry of Energy to take actions and adopt decisions, which are needed for the application of liquefied natural gas terminal project financing security measures (sovereign guaranty, surety, mortgage or other) to the Company, in order to ensure possibilities to finance liquefied natural gas terminal project and transactions on supply of liquefied natural gas (if this would be needed).

17 Subsequent events (cont‘d)

- On 14 August 2012 the Company and the Authority has signed Additional Agreement to the General Bilateral Agreement on Development of Infrastructure / Suprastructure of the Port regarding the investment and investment compensation order and conditions, whereby cooperation conditions between the Company and Authority with respect to development of liquefied natural gas terminal project were specified.

  Amongst other things, parties have agreed on preliminary estimated investments into the infrastructure and suprastructure of the Port. It is estimated that:

  - ✓ Authority’s investments into the preparation of the Port for the activities of LNG terminal (dredging works, equipment of radiolocation, upgrading of systems of the Port and etc.) shall be LTL 106,426 thousand;
  - ✓ Company’s investments into the Port infrastructure (jetty and etc.), which shall be compensated by the Authority shall be LTL 54,204 thousand;
  - ✓ Company’s investments into the suprastructure of the Port (equipment and systems necessary for the usage of LNG floating storage and regasification unit) shall be LTL 54,804 thoausand.

  Precise amounts of investments shall be determined following conclusion of contracts on provision of works under the procedure set by the Law on Public Procurement of the Republic of Lithuania.

  Investments of the Authority into the infrastructure of the Port shall be compensated from two sources: charges paid by LNG terminal operator and third persons, which use the Port due to the reason that they are serviced or are servicing the LNG terminal and annual fee for the usage of the jetty to be paid by the LNG terminal operator, which shall be calculated based on amount of investments of the Authority into the infrastructure of the Port, provided that period of return of investments is set at 20 (twenty) years and internal rate of return is set at 5 (five) per cent. Calculated annual fee for the usage of jetty shall be decreased by amount of aforementioned charges received by the Authority for the usage of the Port and increased by amount of direct and indirect expenses of the Authority incurred with respect to LNG terminal.

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

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 above-presented unaudited Interim condensed Financial Statements of SC Klaipėdos Nafta for the six months ended 30 June 2012, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of SC Klaipėdos Nafta.

General Manager Rokas Masiulis

Finance Director Mantas Bartuška

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

Klaipėda
August 2012

CONTENT

ACCOUNTING PERIOD IN RESPECT OF WHICH THE MANAGEMENT REPORT WAS PREPARED

This Interim Management Report for the first six months of 2012 is prepared for the period from 1 January 2012 up to 30 June 2012. SC Klaipėdos Nafta is referred to as the Company in this Management Report.

THE MAIN DETAILS ABOUT THE COMPANY

Name of the Company:	Stock Company "Klaipėdos nafta"
Legal status:	Stock Company
Authorized capital:	LTL 380.606.184
Date and place of registration:	27 September 1994, State Enterprise Register Centre
Company code:	110648893
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 address:	info@oil.lt
Internet site:	www.oil.lt

CHARACTER OF THE CORE ACTIVITY

The Company is known as one of Lithuania's largest terminals in the market of oil and oil products transshipment services in the Baltic countries. The terminal's core activity is reloading of exported oil products from railway tanks into ships. Oil products are delivered from Lithuania, Russia, Belarus and other countries. The Company also offers the opportunity to provide Lithuania with imported oil products, which are delivered to Klaipeda port by ships.

The company provides the following services:

- Tranship crude oil and oil products from railway tanks into tankers
- Tranship crude oil and oil products from tankers into railway tanks and road tankers
- Provides a temporary storage (accumulation) of crude oil and oil products
- Accepts water polluted with oil products from ships
- Moors incoming ships
- Defines oil quality parameters
- Enters chemical additives to oil products
- Provides ships with fuel and water

Mission of the Company is to be a reliable oil product import and export terminal in Lithuania and neighbouring countries and to make a possibility for region's oil refineries to continuously export their production on tankers to the Western Europe and further markets through the terminal of the Company.

Vision of the Company is to be financially sustainable oil reloading terminal and to timely invest into initiatives which would increase economic return for their investors.

The Company is a strategic company of Lithuanian energy sector. Under necessity, the Company ensures a possibility to import oil product in Lithuania. On July 2010 the Government of the Republic of Lithuania assigned the Company to implement a strategic project which is energetically significant for Lithuania on liquefied natural gas terminal until the end of 2014.

AGREEMENTS WITH SECURITIES PUBLIC TUROVER MEDIATORS

The Company and AB SEB Bankas Financial markets department have signed an agreement on the Company's securities accounting and securities accounting related services.

Details about AB SEB bank Financial markets department:	
Company code	112021238
Address	Gedimino 12, 01103 Vilnius
Telephone number	+370 5 2681190
E-mail address	info@seb.lt
Internet site	www.seb.lt

AUTHORIZED CAPITAL OF THE COMPANY

- According to decision No. 204, dated 15 February 2012, of the Government of the Republic of Lithuania "On the investment of state-owned property and the increase of the authorized capital of AB "Klaipėdos nafta" and Agreement on shares which was made on 11 June 2012 between the Company and the Republic of Lithuania, represented by the Ministry of Energy, the authorized capital of the Company was increased by monetary and non-monetary contributions of the shareholders. The Ministry of Energy paid to the Company for the shares by non-monetary contribution of the agreement by transferring fixed tangible assets which are located in Subacius Oil Products Terminal.

On 3 July 2012, the amended Articles of Association of the Company were registered with the Register of Legal Persons after the increase of the authorized capital of the Company up to LTL 380,606 thousand. The authorized capital of the Company was increased after allocation of the new issue of Company's shares, the total nominal value of which is LTL 38,606 thousand, to current shareholders of the Company (the new shares were issued according to the resolutions of the annual general meeting of shareholders of the Company held on 27 April 2012). The State, which is represented by the Ministry of Energy, owns 72.32 percent of the shares (275.241.290 units).

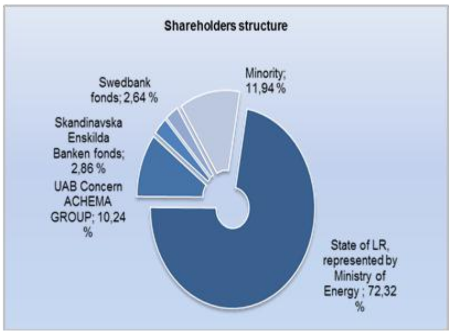
INFORMATION ON THE COMPANY'S OWN SHARES

The Company did not hold any its shares.

SHAREHOLDERS AND SHARES

The Company's shares are traded on a regulated market. All the shares of the Company are listed in the Baltic Secondary list on the NASDAQ OMX Vilnius Stock Exchange.

Main data on the Company's shares:	
ISIN code	LT0000111650
Abbreviation	KNF1L
Size of issue (units)	380.606.184



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.

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

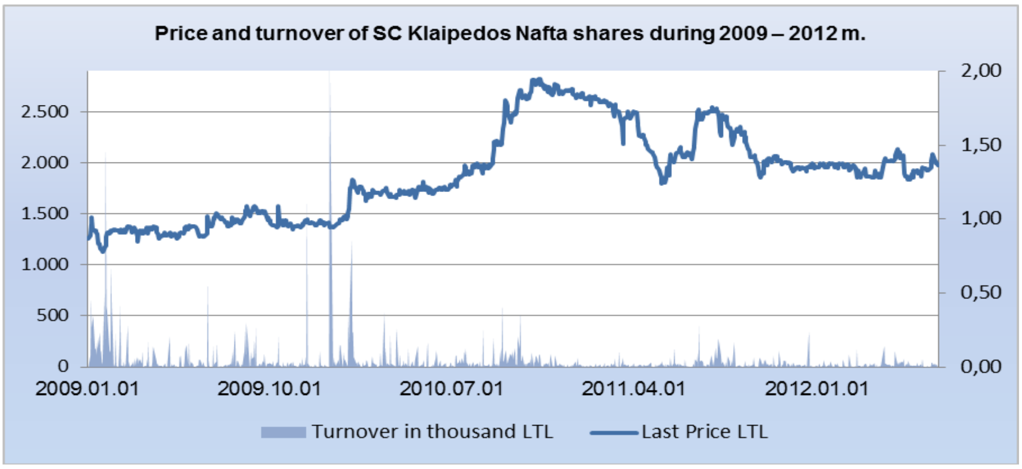
Shareholder's name (Company's name, type, address, Company Register Code)	Number of shares (ps.) owned by proprietary right	Part (%) of share capital
State of LR, represented by Ministry of Energy (Gedimino aven. 38/2, Vilnius, 302308327)	275.241.290	72,32
UAB Concern ACHEMA GROUP (Jonalaukio village, Jonava district, 156673480)	38.975.150	10,24

The rest 66.389.744 shares (pcs.) of the Company (17,44 % of the authorized capital) belong to 1.730 minority shareholders.

Development of the share price at NASDAQ OMX Vilnius during 2009 – 2012

	The first six month of 2009	The first six month of 2010	The first six month of 2011	The first six month of 2012
Highest price per share, LTL	1,02	1,27	1,85	1,47
Lowest price per share, LTL	0,78	0,94	1,24	1,27
Price per 1 share at the end of the period, LTL	1,02	1,23	1,50	1,36
Average price per 1 share, LTL	0,91	1,16	1,61	1,35

As of 30 June 2012 the Company's market capitalization – 518.000.000 LTL, that is 1 % higher compared with 30 June 2011 market capitalization – 513.000.000 LTL.



SIGNIFICANT EVENTS OF THE ACCOUNTING PERIOD

On **23 January 2012** during implementation of international tender of the Company “Procurement of Liquefied natural Gas Floating Storage and Regasification Unit (FSRU)” the proposal of Norwegian company’s „Höegh LNG“ was selected as the most economically advantageous. Three tenderers submitted their tender offers.
On **7 February 2012** The Government of the Republic of Lithuania adopted Resolution No. 175 On the Government of the Republic of Lithuania on 27 December 2007 No. 1442 Resolution of the National Energy Strategy Implementation Plan for 2008–2012 „supplement“, by which liquefied natural gas (further – LNG) terminal project has been included in the National Energy Strategy Implementation Plan of 2008–2012.

On 15 February 2012.:

- following a resolution of the Government of the Republic of Lithuania No. 199 “Regarding establishment of the liquefied natural gas (LNG) terminal” it was approved that the Company would continue the implementation of the LNG terminal Project;
- Following resolution of the Government of the Republic of Lithuania No. 204 “On the investment of state-owned property and the increase of the authorized capital of AB “Klaipėdos nafta” it was decided that authorized capital of the Company would be increased by investing into the Company in trust of PE Lithuanian Oil Product Agency – Subacius Oil Products Terminal.

On **1 March 2012**, the Board of the Company decided to continue the implementation of the LNG terminal project and to conclude a contract on lease, operation and maintenance (repair) of the floating liquefied natural gas storage and regasification unit (hereinafter, the FSRU) for 10 years with the right to redeem the FSRU with Höegh LNG Ltd., the winner of the public procurement tender of AB Klaipėdos Nafta “Acquisition of a Floating Liquefied Natural Gas Storage and Regasification Unit”.

On 2 March 2012 the Company concluded a contract on lease, operation and maintenance (repair) of the floating liquefied natural gas storage and regasification unit (hereinafter, the FSRU) for 10 years with the right to redeem the FSRU with Höegh LNG Ltd., the winner of the public procurement tender of the Company.

On 26 March 2012 extraordinary general meeting of the shareholders was held:

- approved the decision of the Board of the Company to continue the implementation of the LNG terminal project and to conclude a contract on lease, operation and maintenance (repair) of the floating liquefied natural gas storage and regasification unit (hereinafter, the FSRU) for 10 years with the right to redeem the FSRU with Höegh LNG Ltd., the winner of the public procurement tender of AB Klaipėdos Nafta “Acquisition of a Floating Liquefied Natural Gas Storage and Regasification Unit”;
  - provided that the term of delivery of the FSRU to Klaipėda Port shall be from 1 September 2014 to 1 December 2014;
- set a fixed price for lease of the FSRU, whereas the FSRU operation, maintenance (repair) costs shall be reimbursed on occurrence, however such costs will not exceed the agreed amount for the first two years, therefore, the total FSRU lease and operation costs for the first year, including remuneration for the crew and other payments, which will be indexed annually according to the consumer price index, will not exceed USD 156,200 (VAT excluded) per day;
- also provided that the Company will have to submit to the FSRU supplier a warranty for payment of the amount not exceeding USD 50,000,000, for the issue of which the Company will have to pledge its property (funds in bank accounts, receivables) for the benefit of the person that issues the warranty;
- Approved the decision of the Company on the amendment of the Articles of Association of the Company, objective of which shall be to install and equip a liquefied natural gas terminal and to prepare it for operation, to ensure cost-effective and rational operation of the liquefied natural gas terminal and/or its subsequent transfer to the operator of the natural gas transmission system controlled by the Republic of Lithuania.

On **27 April 2012** general meeting of shareholders of the Company was held:

- Approved a set of the audited annual financial statements of the Company for 2011;
- Distributed profit of the Company for 2011, allocated LTL 56,981,000 for payment of dividends for 2011, i.e. LTL 0.17 of dividend amount per share;
- Approved the decision to increase the authorised capital of the Company with additional contributions of shareholders;
- To approve the decision of the Board of the Company to lease the property of Subačius Oil Products Terminal, in Kunčiai village and Subačius town, Kupiškis District Municipality, the book value of which will exceed 1/20 of the authorised capital after the contribution of this property to the authorised capital of AB Klaipėdos Nafta, to PE Lithuanian Oil Product Agency for the term of 10 (ten) years at the rent of LTL 2.10 (two Litas ten cents) for the period from 2012 to 2016, and at the rent of LTL 4.10 (four Litas ten cents) for the period from 2017 to 2021 per ton of stored petroleum products per month, by indexing the rent tariff annually according to the change in the Index of Consumer Prices.
- Approved amendment of the Articles of Association of the Company by specifying the competence of the Board and the manager of the company and stipulating the amount of amended authorised capital.

On **12 June 2012** the Parliament of the Republic of Lithuania adopted the Law on the Liquefied Natural Gas Terminal, which ensures the required legal framework for construction of the liquefied natural gas (LNG) terminal in Lithuania, as well as establishes financial and organizational conditions for technologically and economically sound operation of the LNG terminal and its infrastructure.

- The Law provides specific legal regulation applied to the LNG terminal project implemented following the decision by the Government of the Republic of Lithuania. The Company proceeds with the LNG terminal project based on the Governmental Resolutions "On development of the LNG terminal project" of 21 July 2010 and "On construction of the LNG terminal" of 15 February 2012, and other relevant decisions.
- The Law imposes requirements for the company implementing the LNG terminal project, financing of its implementation, as well as specific obligations for public administration bodies and entities with regard to construction of the LNG terminal, its connection to the natural gas transmission system and supply of natural gas.
- It is established by the Law that costs of construction and operation of the LNG terminal, its infrastructure and connection to the natural gas transmission system may be included to the natural gas transmission tariff following the requirements established by the National Control Commission for Prices and Energy.
- In order to ensure mandatory activities of the LNG terminal and effective competition in the Lithuanian natural gas market, the Law establishes the rule for diversification of the natural gas supply, by which entities importing natural gas through the pipelines would be required to purchase through the LNG terminal at least 25 per cent share of the total quantity of natural gas supplied.
- Following mandatory requirements set by the EU with regard to security of the natural gas supply, it is planned that operation of the LNG terminal will be started not later than by 3 December 2014. The LNG terminal will be constructed in Klaipėda State Sea Port.

SIGNIFICANT EVENTS WHICH HAPPENED AFTER THE ACCOUNTING PERIOD

On **3 July 2012**, the amended Articles of Association of the Company were registered with the Register of Legal Persons after the increase of the authorized capital of the Company up to LTL 380,606 thousand. The authorized capital of the Company was increased after allocation of the new issue of Company's shares, the total nominal value of which is LTL 38,606 thousand to current shareholders of the Company (the new shares were issued according to the resolutions of the annual general meeting of shareholders of the Company held on 27 April 2012).

On **5th July 2012** the Company and state enterprise Klaipėda State Seaport Authority (hereinafter, the Authority) has signed the General Bilateral Agreement on Development of Infrastructure / Suprastructure of Klaipėda Seaport (hereinafter, the Agreement), whereby parties agreed on main cooperation conditions with respect to development of liquefied natural gas (hereinafter, LNG) terminal project.

- The Agreement stipulates undertaking of the Authority to execute works of preparation of Klaipėda Seaport (hereinafter, the Port) for the LNG terminal, including, but not limited to, water area dredging works, navigation and radar equipment and systems installation (upgrade), training of personnel, adoption or amendment of legal acts that are within the limits of the Authority's competence, performing of additional navigation studies, testing and checking, if necessary. Subject to adoption of a resolution of the Government of the Republic of Lithuania on the mechanism and sources of the compensation for the investments into the Port infrastructure, based on the Agreement the Company shall finance and organize works, which are intended for the LNG terminal, i.e. works of the Port infrastructure (including, but not limited to, construction of jetty intended for the mooring of the floating LNG storage, high pressure gas platform, servicing platform), and suprastructure, and the Authority shall compensate costs incurred by the Company with respect to creation of the Port infrastructure. The Company shall not bear title to the Port infrastructure, because in accordance with applicable laws title to the Port infrastructure may be borne only by the Republic of Lithuania. The Company shall use the Port infrastructure on the bases of a contract with the Authority.
- Implementation of the Agreement shall be controlled and coordinated by the Project Implementation Commission composed of members delegated by both parties. Works of infrastructure and suprastructure shall be procured by

public procurement commission composed of representatives of the Company and the Authority. The parties have agreed that public tenders on procurement of infrastructure and suprastructure works may be started immediately after signing of the contract.

▪ In addition to the Agreement, a contract on granting of a right to use the territory of the Port for the construction works of LNG terminal infrastructure was concluded.

On **10 July 2012** the shares of the new share issue of the Company (38,606 thousand units) were introduced to the Secondary List of AB NASDAQ OMX Vilnius stock exchange and admitted to trading.

▪ The new issue of the Company shares was issued by way of increase of the authorized capital of the company. The total amount of the authorized capital of the Company is LTL 380,606 thousand and the total number of the outstanding shares of the company is 380,606 thousand units.

On **11 July 2012** the Government of the Republic of Lithuania adopted a resolution on amendment of the resolution of the Government of the Republic of Lithuania No. 199 "On Development of Liquefied Natural Gas Terminal". The Government of the Republic of Lithuania (including, but not limited):

- granted an approval for the Company to construct the infrastructure of the Seaport and obligated the Authority to

compensate all expenses of the Company, which will be incurred with respect to construction of infrastructure of the Seaport;

- defined mechanism and sources of the compensation for the investments of the Authority into the infrastructure of the Seaport, which is intended exceptionally for the liquefied natural gas terminal;

▪ assigned to the Ministry of Energy to take actions and adopt decisions, which are needed for the application of liquefied natural gas terminal project financing security measures (sovereign guaranty, surety, mortgage or other) to the Company, in order to ensure possibilities to finance liquefied natural gas terminal project and transactions on supply of liquefied natural gas, if this would be needed.

On **14 August 2012** the Company and state enterprise Klaipėda State Seaport Authority (hereinafter, the Authority) has signed Additional Agreement to the General Bilateral Agreement on Development of Infrastructure / Suprastructure of Klaipėda Seaport, dated 5 July 2012, regarding the investment and investment compensation order and conditions, whereby cooperation conditions between the Company and Authority with respect to development of liquefied natural gas terminal project were specified.

Amongst other things, parties have agreed on preliminary estimated investments into the infrastructure and suprastructure of Seaport. It is estimated that:

▪ Authority's investments into the preparation of the Port for the activities of LNG terminal (dredging works, equipment of radiolocation, upgrading of systems of the Port and etc.) shall be LTL 106.426 thousand;

▪ Company's investments into the Port infrastructure (jetty and etc.), which shall be compensated by the Authority shall be LTL 54.204 thousand;

▪ Company's investments into the suprastructure of the Port (equipment and systems necessary for the usage of LNG floating storage and regasification unit) shall be LTL 54.805 thousand.

Precise amounts of investments shall be determined following conclusion of contracts on provision of works under the procedure set by the Law on Public Procurement of the Republic of Lithuania.

Investments of the Authority into the infrastructure of the Port shall be compensated from two sources: charges paid by LNG terminal operator and third persons, which use the Port due to the reason that they are serviced or are servicing the LNG terminal and annual fee for the usage of the jetty to be paid by the LNG terminal operator, which shall be calculated based on amount of investments of the Authority into the infrastructure of the Port, provided that period of return of investments is set at 20 (twenty) years and internal rate of return is set at 5 (five) per cent. Calculated annual fee for the usage of jetty shall be decreased by amount of aforementioned charges received by the Authority for the usage of the Port and increased by amount of direct and indirect expenses of the Authority incurred with respect to LNG terminal.

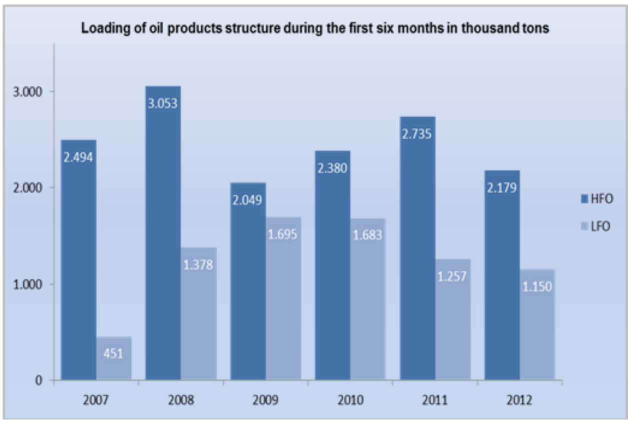
Information about public information

Following order of the Law of the Republic of Lithuania, all Company related key events and information about time and place of the general meeting of the shareholders are published on website of the Company www.oil.lt, for AB NASDAQ OMX Vilnius stock exchange.
During the first six months of 2012 the Company has published 37 official announcements about key events and other regulated information at AB NASDAQ OMX Vilnius stock exchange (www.nasdaqomxbaltic.com).

BUSINESS ENVIRONMENT

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

During the first six months of 2012 the Company transshipped 3.329 thousand tons of oil products. 65 percent of the total load (69 percent during 2011) comprised of dark oil products (HFO), whose fluidness depends on product's temperature and is determined by ambient temperatures, resulting as more energetically susceptible during transshipment. Dark oil products include: fuel oil and its substitutes, vacuum gas oil, orimulsion and others. Light oil products (LFO) - are those, whose fluidness is not dependant on product's temperature and ambient temperature. These products include: gasoline, diesel fuel oil, jet fuel and others.



During the first six months of 2012 comparing to the transshipment of the same period of 2011 (3.992 thousand t), the Company transshipped 663 thousand tons or 17 percent of oil products less. The reduction of transshipment was greatly determined by the planned capital repair works in AB „ORLEN Lietuva" in May 2012 and reduced flow of cargoes from Russia.

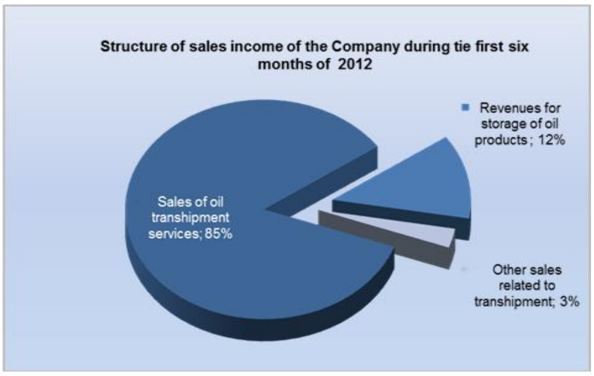
During the first six months of 2012, comparing with the first six months of 2011, AB "ORLEN Lietuva" transshipped 268 thousand tons or 13 percent of oil products less (2012 – 1.732 thousand tons; 2011 – 2.000 thousand tons).

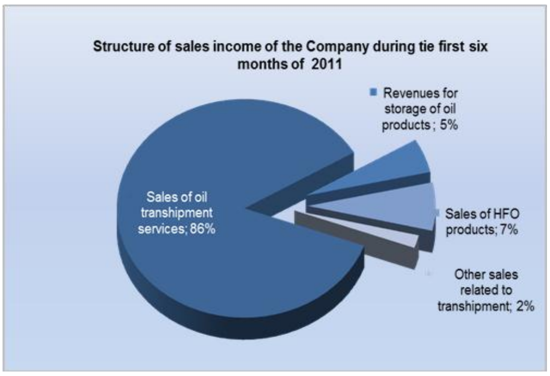
Decrease of transit cargoes from Russia was influenced by increased competitive environment between terminals of the Baltic States and newly built Ust-Luga cargo terminal in Russia which stared its activity in 2011.

RESULTS OF THE ACTIVITY

Revenues

The Company receives over 90 percent of total selling revenues (2012 – 97 percent, 2011 – 91 percent) from reloading of oil products (reloading of oil products, management of remainders of oil products).





Revenues of the first six months of 2012 (LTL 69.394 thousand), if compared revenues of the same period in the year 2011 (LTL 80.514 thousand), decreased by LTL 11,1 mln. or 14 percent. Decrease of income was influenced by:

- Decreased reloading of oil products by 17 percent (due to capital repair works of AB "ORLEN Lietuva" and decrease of transit flow from Russia);
- Revenues of 2011 was increased by onetime sell of dark oil products, which were accumulated in cleaning equipment (5,7 mln. of revenues were received).
-

Main indexes of the activity

The Company earned LTL 21.499 thousand net profit during the first six months of 2012, that is by LTL 6,4 million or 23 % less if compared with the same period of 2011 (LTL 27.901 thousand). The decrease of profit was influenced by decreased transshipment of the oil by 17 % and by onetime selling of dark oil products, that were accumulated from cleaning equipment, and which influenced profitability of the year 2011.

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

Main indexes of the Company's financial status in thousand LTL, if not indicated otherwise:

Indexes of the activity	**30 June 2012**	**30 June 2011**	**30 June 2010**
Transmission of oil products (net thousand tons)	3.329	3.992	4.063
Investment (acquisitions)	12.839	2.529	1.603
Financial figures			
Revenues	68.105	79.772	62.802
Gross profit	27.831	34.946	22.864
EBITDA	35.337	42.951	29.327
EBIT	24.169	31.356	18.281
Profit before taxation	25.406	32.074	19.317
Net profit	21.499	27.901	16.282
			-
Fixed assets	433.757	387.044	400.888
Current assets	103.243	113.934	62.933
Total assets	537.000	500.978	463.821
Equity capital	516.905	482.917	446.683
Profitability			
Return on equity ratio (ROE)	8,6%	12,0%	7,5%
Return on assets (ROA)	9,3%	13,0%	8,0%
Gross profit margin	41%	44%	36%
EBITDA margin	52%	54%	47%
EBIT margin	35%	39%	29%
Net profit margin	32%	35%	26%
Turnover			
Accounts receivable, days	16	29	19
Accounts payable, days	11	8	11
Financial structure			
Debt to equity ratio	0,04	0,04	0,04
Debt ratio	0,04	0,04	0,04
Current liquidity ratio	8,91	12,12	9,39
Market value ratios			
Share price and earnings per share ratio (P/E), times	24	18	26
Net profit per share, LTL	0,06	0,08	0,05

EBITDA = profit before taxation, before interest, depreciation and amortization.

EBIT = profit before taxation, up to result of the financial activity.

Return on equity (ROE) = net profit of the accounting period/average equity capital totally per accounting period.

Return on assets (ROA) = EBIT / average asset totally per accounting period.

Debt ratio = total fixed and current obligations at the end of the accounting period/ total asset at the end of the accounting period.

Current liquidity ratio = total current assets at the end of the accounting period / total current obligations at the end of the accounting period.

RISK FACTORS TYPICAL OF THE ACTIVITY OF THE COMPANY

Competitive environment risk factors

The main competitors of the Company are the following terminals of the Baltic Sea ports, reloading dark and light oil products exported from Russia: Cargo terminal (Lithuania), Ventspils Nafta (Latvia), Ventburkers (Latvia), BLB (Latvia), Alexela (Estonia), Vopak EOS (Estonia), Vesta (Estonia), Peterburg Oil Terminal (Russia), newly built Ust-Luga terminal (Russia). The most significant factors influencing the competitiveness of the Company on the market are as follows: technical parameters of the port and terminal (depth and number of quays, maximum allowable draughts of the ships, storage capacity of the terminal, capacity of the loading equipment etc.).

The Government of Russian Federation aims to export all oil products produced in Russian refineries via Russian ports, therefore Russian Federation offers advantageous conditions for transporting freights to national ports thus stimulating national competition of the ports in regard to foreign ports.

The Company has an excellent reputation, engaged part of the market, concluded long-term agreements with cargo owners and has an ice-free port, so it is hopefully that the Company will maintain flows of Russian and Belorussian cargo in winter time.

Commercial risk factors

AB ORLEN Lietuva is the main client of the Company, whose load volume through the Company composes more than 50 percent of the total annual transhipment volume of the Company. The Company has signed a long-term contract with AB ORLEN Lietuva until 2024, conclusion of this contract lets the Company hope for regular flow of loading of oil products.

Annual loading volumes of Belarusian oil refinery compose about 35 percents of the total loading volume of the Company's terminal. Since Belarus has no direct access to the sea, exporting oil products to the Western countries Belarus must use transit via neighbouring countries and their ports. Therefore cooperation with Belarusian companies and institutions is of high importance seeking to divert their load through Klaipėda port.

There is a risk in the future due to significant part of oil refiner orders for any reasons (including but not limited to political, economical etc), that the Company could not be able to find new clients within short term who would use load services supplied by the Company and to maintain oil product load level of the earlier years if Belorussian oil refiners will decide export oil products using not Lithuanian port but ports of other countries (Latvian, Estonian or Ukrainian).

Load of the Company, also revenues and profitability mostly depends on the situation in the market of oil products. Oil refiners reduce oil refinement as oil refinement margins are low, i.e. they produce less oil products which could be exported through the Company or competitive companies. Therefore when profitability of oil refinement is low and flows of exported oil products are decreasing, so competitive struggle for load of these flows increase and it influence Company's scope of load and tariffs of load. Reverse processes are happening when oil refinement margins are high.

According to allowable draught (12,5 m) at quays No. 1 and No. 2 of Klaipėda State Seaport used by the Company, KN loses before Ventspil and Tallinn terminals, at which allowable depth exceeds 14 m and Aframax type tankers can be fully loaded (up to 100,000 t), when KN can load such type of tankers up to 80-85 thousand tons for restriction of allowable draught up to 12,5 m. So KN loses its competitive struggle with neighbouring ports for conditional higher marine logistics expenses of great Aframax type tankers, which tranship oil and fuel oil. In the plans of the Authority it is foreseen to increase allowable draught up to 13 m at the quays of Klaipeda port, which are used by KN and it would partly reduce split of KN in marine logistics expenses.

Political risk factors

Risk factors related to Russian Federation and Belarus politics

Governments of Russia and Belarus strictly regulated oil and its products export from the country by establishing strict export quotas and tariffs of oil products transported by railway, giving preference to one or another port. There is a possibility that both in Russian Federation and in Belarus decisions regarding the quotas issue and exportation via specific state ports as well as application of railway tariffs preferences may be made based on not only economic but also political motives.

Notwithstanding strategically advantageous geographic situation of the Company there is a risk that political decisions related to supplying of quotas of oil product export to particular foreign ports or reducing such quotas to Klaipeda port may be accepted in Russian Federation and Belarus and it would lead to decrease of scope of the Company's load.

Also an additional risk exists that EU may apply economic sanctions to Belarus because of political reasons related to regime of president of Belarus A. Lukasenka. Such economic sanctions may determine restriction or suspend import of appropriate goods or products which were made in Belarus to EU countries, also trade relations between EU and Belarus may be absolutely terminated. It was considered that Belarus may apply responsive economic measures and to restrict export of oil products which were made inside Belarus through EU terminals even if EU economic sanctions for Belarus would not be applied for export and import sector of oil products. For this reason there is a risk that any economic sanctions that EU applies to Belarus would reduce scope of oil products made in Belarus and loaded by the Company.

Risk factors related to Latvian politics

Distance from Company's terminal and main plants where made oil products are reloaded in the Company, is less than Latvian and Estonian oil terminals so economically it is more profitably for such plants to load oil products via terminal of the Company and Klaipėda port nor through neighbouring terminals of the ports of the Baltic Sea. However when Government of the Republic of Latvia and Latvian Railways decided to significantly reduce tariffs of railway, a risk may occur that economically it would be more profitable for appropriate plants of oil products to load oil products not only through the Company but also through terminals of Latvian ports (or even to transport oil products by railway to the terminals of Estonian ports).

These risks may occur due to advantageous geographic situation of the Company.

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.

It is planned that in 2013 Klaipėda sea port increases allowable draught at the Companies jetties down to 13 meters and in future perspective down to 14 meters. If plans to increase allowable draught at port quays used by KN would be changed or delayed, so KN will be behind neighbouring ports in maximum loading parameters of tankers and it would not be so attractive for the load of tankers of high tonnage.

Actual investment plans to expand the park of berth storage by 10 percent, making opportunities to transship light oil products and heavy oil products via these storage tanks, would allow in future to transship vessels of larger tonnage and broaden the assortment of transshipped products. Equipped terminal complex located on the area of 35.7 ha is capable to handle up to 9 million tons of exported and imported oil products per year. Total volume of oil and oil products storage tanks - 404 500 m3. Every freight batch from different refinery is stored separately in storage tanks, i.e. is not intermixed. It allows save quantity and quality of transported products. Quality parameters are controlled by the terminal modern laboratory.
The two jetties situated at the Klaipeda port harbour entrance dredged down to 14 m can accommodate tankers of up to 100,000 t capacity, with allowance draught down to 12.5 m. The road tanker loading station constructed in the terminal can handle four tank trucks simultaneously. The unique biological treatment technology employed for waste water treatment guarantees the quality of water discharged into open water basins meeting the normative requirements of the European Union. General capacity of waste water treatment facilities – 160 m3 / hour. Waste water collected and treated per year – up to 400,000 m3 of water.
The Company's equipment was manufactured by companies of the Western Europe and the USA – KANON, BORNEMANN, INGERSOLL DRESSER, ROTORL, ENRAF, ROSSMARK, AEG and others. Systems of automatic fire detection and fire extinguishing AJAX-HEKATRON, emergency stop HONEYWELL, technological process BAILEY management are installed.

ENVIRONMENT PROTECTION

By performing its activity the Company must follow legal acts on environment protection which anticipate usage, marking and storage of various materials, also ensure that all equipment in use would correspond their requirements. In objects exploited of the Company, where the risk of greater damage to the environment for released pollutants or amount of accumulated waste occurs, the Company works according to licences of integrated prevention and control of pollution (PIPC) issued by regional departments of environment protection and according to the most accessible methods of production. According to all these rules, the Company is obliged to implement procedures and technologies which would let conduct any hazardous materials in appropriate manner, the Company is responsible for management and elimination of any environmental pollution and to maintain adequate condition of the equipment.

Automatic fire detection and extinguishing systems also computer-assisted load process control systems, air, soil and water protection from pollution technologies which correspond EU standards were implemented in the Company. Management of extreme situations, fire protection and territory protection systems correspond to requirements of fire protection, labour security, civil safety, environment protection, port control institutions of the Republic of Lithuania. Inspectors of "British Petroleum" and "SHELL" evaluated safety of the terminal positively. They performed analysis and evaluation of the Company's danger and risk.

In order to more reduce environment pollution by hydrocarbon vapours, the Company started a project on construction of recuperator of Light Oil Product and oil vapours.

In 2012 the Company worked without any accidents or breakdowns which could negatively affect the environment. The Company performs constant environmental monitoring works as follows:

- underground water (determined that underground pollution of oil products, which has been formed during the old terminal acting period, is disappearing);
- discharged treated waste water (biological waste water treatment facilities guarantee less pollution of open water basins than has been indicated in the Integrated Permit of Pollution Prevention and Control);
- impact on ambient air (volatile organic compounds and nitrogen oxides limits determined by the European Union and National limit values have not been exceeded over the Company's sanitary zone
- stationary sources of air pollution (IPPC permit indicates quantity of discharged pollution that has not been exceeded).

During the first six months of 2012 running intramural expenditures for environment protection amounted LTL 1,407 thousand (during six months of 2011 – LTL 1.358 thousand). Additionally, during the first six months of 2012 different environmental analyses (polluting material analysis, other) expenditures amounted to LTL 61 thousand (during six months of 2011 – LTL 32 thousand). LTL 11 thousand were paid as pollution tax (during six months of 2011 – LTL 14 thousand).

PERSONNEL

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

During the first six months of 2012 one small accident connected to work happened.

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 2012	Six months of 2011	Six months of 2012	Six months of 2011*
Managers	6	7	18.433	18.973
Specialists	100	93	5.335	5.527
Workers	206	216	3.453	3.603
In total	**312**	**316**	**4.072**	**4.182**

*Note: Annul premium was set for the work results of 2011.

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 employees of the Company.

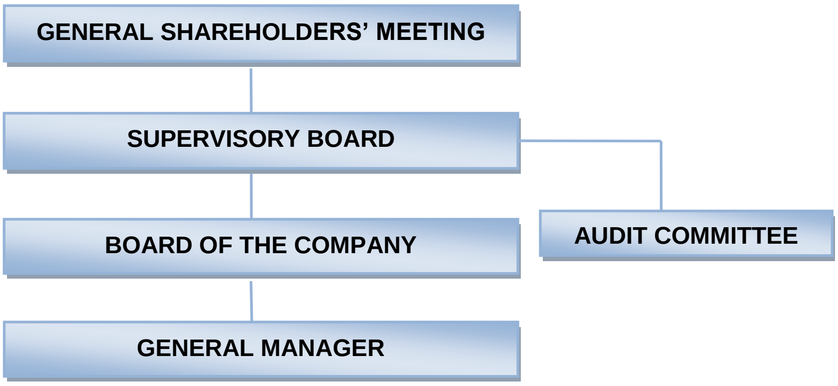
INFORMATION ON ADHERENCE TO GOVERNANCE CODE

The Company essentially follows its compliance with the Governance Code of recommendatory character, approved in August of 2006 by Vilnius Stock Exchange for companies listed on the regulated market.

MANAGEMENT OF THE COMPANY

The activity of the Company is based on the Law on Companies, Law on Securities, Articles of Association and other laws and sublegislative acts of the Republic of Lithuania. The competence of General Shareholders‘ Meeting, shareholders’ rights and their implementation are defined in the Law on Companies and in the Articles of Association.

The structure of the Governing bodies of the Company



The Supervisory Board on 30 June 2012

Name, surname	Position	Term of office
Valentinas Pranas Milaknis	Chairman of the Supervisory Board	April 2010 – April 2014
Public consultant of the Prime Minister of the Republic of Lithuania, member of board of JSC "Alna" and SC "Litgrid". No shares owned of the Company.		
Kęstutis Škiudas	A member of the Supervisory board	April 2010 – April 2014
Adviser of the Prime Minister of the Republic of Lithuania. Member of the board of JSC "Visagino atominė elektrinė", a member of the Board of VO "Konservatyvioji ateitis". No shares owned of the Company.		
Eimantas Kiudulas	A member of the Supervisory Board	April 2010 – April 2014
Director of UAB Klaipėda Free Economic Zone Management Company, member of the Board of UAB Klaipėda Free Economic Zone Management Company, member of the Board of the consultation company Quantum Capital. No shares owned of the Company.		

The members of the Supervisory Board were elected on 27 April 2010 by the General Shareholders' Meeting. During the first six months of 2012 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.

The audit Committee on 30 June 2012

Name, surname	Position	Term of office
Eimantas Kiudulas	A member of Audit Committee	For the Supervisory Board's term of office
Director of UAB Klaipėda Free Economic Zone Management Company, member of the Board of UAB Klaipėda Free Economic Zone Management Company, member of the Board of the consultation company Quantum Capital. No shares owned of the Company.		
Simonas Rimašauskas	A member of Audit Committee	For the Supervisory Board's term of office
Head of UAB "ERPRO". No shares owned by the Company.		
Mindaugas Jusius	A member of Audit Committee	For the Supervisory Board's term of office
Independent consultant. No shares owned by the Company.		

During the first six months of 2012 the members of Audit Committee were counted the following amounts: to S. Rimašauskas – LTL 12,5 thousand, to L. Sasnauskas – LTL 12,5 thousand. The members of Audit Committee did not receive any loans, guarantees; no property transfers were made.

The Board of the Company on 30 June 2012

Name, surname	Position	Term of office
Arvydas Darulis	Chairman of the Board	February 2010 – April 2014
Vice-minister of the Ministry of Energy of the Republic of Lithuania. Chairman of the Board of AB "Litgrid", chairman of the Board of UAB "Visagino atominė elektrinė", chairman of the Board of SE Visaginas Nuclear Power Plant. No shares owned of the Company.		
Inga Černiuk	A Member of the Board	October 2011 – April 2014
Head of Law department of the Ministry of Energy of LR. Chairwoman of the Board of UAB "NT Valdos", liquidator of AB "LEO LT". No shares owned of the Company.		
Rytis Ambrazevičius	A Member of the Board	October 2011 – April 2014
Vice-president of UAB "Omnitel". No shares owned of the Company.		
Mindaugas Jusius	A Member of the Board	October 2011 – April 2014
Memer of the Board of Swedbank Life Insurance SE. No shares owned of the Company.		
Rokas Masiulis	A Member of the Board	September 2010 – April 2014
General Manager of AB "Klaipėdos nafta". Chairman of the Board of UAB "Baltpool". No shares owned of the Company.		

During the first six months of 2012 wage of LTL 143 thousand was calculated to Rokas Masiulis, a member of the Board, General Manager of the Company. No other monetary amounts were calculated for any other members of the Board of the Company. The members of the Board of the Company did not receive any loans, guarantees, no property transfers were made.

The Company is managed by General Manager. The General Manager is the one and only governing body of the Company. The General Manager is the key person, who manages and represents the Company.

Management of the Company on 30 June 2012

Name, surname	Position	Work from
Rokas Masiulis	General Manager	May 2010
Member of the Board of the Company, chairman of the Board of UAB "Baltpool". No shares owned of the Company.		
Vytautas Kazimieras Aranauskas	Deputy General Manager	May 2010
General Manager at interim of SE "Naftos produktų agentūros" . No shares owned of the Company.		
Mantas Bartuška	Finance Director	May 2010
No shares owned of the Company. Not participates in the management of other companies.		
Gediminas Vitkauskas	Production Director	October 1995
0,00002 percent of the authorized capital owned. Not participates in the management of other companies.		
Sigitas Zakalskis	Director of Commerce	August 2010
No shares owned of the Company. Not participates in the management of other companies.		
Rolandas Zukas	Director of LNG terminal	December 2010
No shares owned of the Company. Not participates in the management of other companies.		

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.

ACTIVITY PLANS AND FORECASTS

Plans of the Company for 2012 are related to the strategy of the Company under implementation for 2012-2016. It is supposed:

- to maintain high level of loading of oil products and profitability;
- increase competiveness of the terminal, by servicing increasing flows of light oil products, investing into construction of new containers and reconstruction of old ones;
- increase correspondence of environmental protection requirements which were raised for the terminal;
- to increase flexibility of the Company, by investing into new pipeline systems of oil products;
- to implement LNG terminal project until the end of 2014.

The Company intends to award more than LTL 67.000.000 for investments of 2012.

On 30 June 2012 LTL 19,5 mln. was invested into implementation of LNG terminal project, main costs of which consisted of advance payments under agreement, payments for leading advisor of LNG project preparation and implementation, legal and other investigation services. These main project implementation works were carried out from the start of project implementation:

- According studies performed by the leading advisor, the project was structurized, a conception and financial calculations were prepared and main parameters were justified: floating storage and regasification unit, annual capacity 2-3 mlrd. m^3, the most suitable place is water area of Klaipeda port.
- LNG terminal development plan was prepared and approved in which strategic evaluation of after-effects on environment was performed. This development plan confirmed that LNG project corresponds to provisions of National energy strategy. Strategic environment impact assessment (SEIA) was made. It assessed all possible environment impacts and determined that underlying place for LNG terminal is in Klaipeda port near Pig Back Island.
- Studies of navigation, ship-storage and gas carrier mooring have showed that LNG gas carriers with the capacity of 150 thousand m3 can enter the Klaipeda port after making some changes in port facilities.
- A contract on lease of the floating liquefied natural gas storage and regasification unit (FSRU) for 10 years was concluded with Höegh LNG Ltd. Company. Price of FSRU consists of all costs for FSRU operation, maintenance, repair and materials necessary for repair, crew of the ship and insurance. Trainings of specialists are also included into

contract price. The supplier will ensure that floating liquefied natural storage and regasification unit will enter into Klaipeda port and start its operation at the end of 2014. After ten years of lease, the Company will be able to redeem the FSRU and to operate the ship itself. The FRSU should serve about 30 more years after redeem of the ship.

- Environment impact assessment (EIA) report was prepared. Publication of EIA was carried out in Latvia, Lithuania, following requirements of Espoo convention (eng. Convention on Environmental Impact Assessment in a Transboundary Context).
- Planning and preparatory works in Klaipeda port were started. These works will allow complete port dredging and LNG storage unit mooring quay's construction works on time.
- Preparation of special plan on LNG terminal, related facilities and gas pipeline construction was started. This plan will be registered in the Registry of documents of LR territory planning according to the order of legal acts.
- With SE Klaipeda state seaport authority it was signed:
  - General Bilateral Agreement on Development of Infrastructure / Suprastructure of Klaipėda Seaport whereby parties agreed on main cooperation conditions with respect to development of LNG terminal project;
  - Additional Agreement to the General Bilateral Agreement on Development of Infrastructure / Suprastructure of Klaipėda Seaport regarding the investment and investment compensation order and conditions, whereby cooperation conditions between the Company and Authority with respect to development of liquefied natural gas terminal project were specified.
- In 2012 the Company intends to announce procurement of LNG terminal project port Infrastructure (jetty with suprastructure (equipment) engineering and construction works and procurement of natural gas pipeline system engineering, procurement and construction works (EPC).

During the first six months of this year the Company continued works in these objects:

- *Utilisation of carbohydrate vapours from railway trestles.* On 10 June 2010 the Company started an investment project on "Acquisition of equipment for utilisation of carbohydrate vapours", after which implementation environment pollution will be reduced. On 29 September 2011 a contract with foreign company "John Zink International Luxembourg SARL" regarding acquisition of this equipment was signed. The equipment will be supplied in the third quarter of 2012. Contractor of common construction works was elected according to the order of contest. Technical task for recuperator's mounting works is being prepared for public procurement of the contractor. The Company has invested into this project LTL 930 thousand. Total sum of investment for "Acquisition of equipment for utilisation of carbohydrate vapours" project will amount about LTL 7.000.000.
- *Modernisation works on trestle way No. 2 of dark oil product pouring system. Total amount for works performed is LTL* 7.295 thousand).
- *Reconstruction of the park of dark oil product reservoirs*, which involves demolishing of 4 reservoirs with the capacity 5.000 m^3 and construction of 2 reservoirs with the capacity 32.250 m^3. Total amount for works performed is LTL 1.692 thousand. After this investment will be implemented, park of reservoirs will grow up to 45 thousand tons, discharge of volatile organic compounds (VOC) from newly mounted reservoirs will be reduced by 10 times. This investment will increase flexibility of the Company's load by making an assumption for reloading additional flows of oil products and will increase attractiveness of the terminal by making a possibility for the client to accumulate larger lots of the products (up to 90 thousand tons). Amount of this investment is LTL16 mln. The Company intends to complete construction works at the end of 2013.

OTHER INFORMATION

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.

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 Explanatory Notes to the Company's Interim Financial Statements for the six months of 2012.

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 Bartuška, Finance Director of SC Klaipėdos Nafta, hereby confirm that to the best of our knowledge the above-presented interim Report of SC Klaipėdos Nafta for the six months ended 30 June 2012, includes a fair view of the Company’s business development and activities, description of the Company.

General Manager Rokas Masiulis

Finance Director Mantas Bartuška