



**SC KLAIPEDOS NAFTA
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR 2012 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)**

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Statement of financial position

| | Notes | 31 December 2012 | 31 December 2011 |
|---------------------------------|-------|---------------------|---------------------|
| (unaudited) | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | 1,354 | 465 |
| Property, plant and equipment | 3 | 445,285 | 383,907 |
| Other financial assets | 7 | 2,008 | 5,352 |
| Investment in subsidiary | | 1,000 | - |
| Investment in associates | | 561 | 427 |
| Total non-current assets | | 450,208 | 390,151 |
| Current assets | | | |
| Inventories | 4 | 1,134 | 1,674 |
| Prepayments | | 438 | 223 |
| Trade receivables | 5 | 13,580 | 4,335 |
| Other receivables | 6 | 4,141 | 2,565 |
| Other financial assets | 7 | 18,359 | 110,427 |
| Cash and cash equivalents | 8 | 72,700 | 9,983 |
| Total current assets | | 110,352 | 129,207 |
| Total assets | | 560,560 | 519,358 |


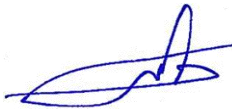
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The accompanying notes, set out on pages 8-17, are an integral part of these financial statements.

Statement of financial position (cont'd)

| | Notes | 31 December 2012 | 31 December 2011 |
|---------------------------------------|-------|---------------------|---------------------|
| EQUITY AND LIABILITIES | | | |
| 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 | | 41,030 | 71,226 |
| Total equity | | 536,436 | 500,269 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 7,211 | 7,709 |
| Non-current employee benefits | | 816 | 785 |
| Total non-current liabilities | | 8,027 | 8,494 |
| Current liabilities | | | |
| Trade payables | 9 | 7,378 | 4,671 |
| Payroll related liabilities | 10 | 3,868 | 2,559 |
| Provision | | 449 | 493 |
| Income tax payable | | 2,602 | 1,838 |
| Prepayments received | | 52 | 49 |
| Dividends payable | | 362 | 39 |
| Other payable and current liabilities | 11 | 1,386 | 946 |
| Total current liabilities | | 16,097 | 10,595 |
| Total equity and liabilities | | 560,560 | 519,358 |

The accompanying notes, set out on pages 8-17, are an integral part of these financial statements.

| | | | |
|--|-----------------|--|------------------|
| General Manager | Rokas Masiulis |  | 25 February 2013 |
| Director of Finance and Administrative Department | Mantas Bartuška |  | 25 February 2013 |

Statement of comprehensive income

| | Notes | 2012 | | 2011 | |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | January - December | October - December | January - December | October - December |
| | | (unaudited) | (unaudited) | (audited) | (audited) |
| Sales | 12 | 138,881 | 39,889 | 141,276 | 33,212 |
| Cost of sales | 13 | (81,639) | (22,556) | (82,913) | (20,874) |
| Gross profit | | 57,242 | 17,333 | 58,363 | 12,338 |
| Operating expenses | | (10,795) | (5,140) | (7,260) | (2,414) |
| Other operating income (expenses) – net result | | 108 | 59 | 42 | 28 |
| Profit from operating activities | | 46,555 | 12,252 | 51,145 | 9,952 |
| Income from financial activities | 14 | 1,847 | 246 | 1,981 | 691 |
| Expenses from financial activities | | (116) | (29) | (20) | (13) |
| Share of the associate's comprehensive income | | 84 | 84 | 138 | 138 |
| Profit (loss) before income tax | | 48,370 | 12,553 | 53,244 | 10,768 |
| Income tax expense | | (7,340) | (1,858) | (7,991) | (1,577) |
| Net profit (loss) | | 41,030 | 10,695 | 45,253 | 9,191 |
| Other comprehensive income (expenses) | | - | - | - | - |
| Total comprehensive income (expenses)/ profit (loss) attributed to the shareholders | | 41,030 | 10,695 | 45,253 | 9,191 |
| Basic and diluted earnings (losses) per share, in LTL | 15 | 0.11 | 0.03 | 0.13 | 0.03 |

The accompanying notes, set out on pages 8-17, are an integral part of these financial statements.

General Manager

Rokas Masiulis

25 February 2013

Director of Finance and
Administrative Department



Mantas Bartuška

25 February 2013

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 year | - | - | - | - | - | 45,253 | 45,253 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | 45,253 | 45,253 |
| Balance as of 31 December 2011 (audited) | 342,000 | - | 19,000 | - | 68,043 | 71,226 | 500,269 |
| Net profit for the year | - | - | - | - | - | 41,030 | 41,030 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | 41,030 | 41,030 |
| 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 31 December 2012 (unaudited) | 380,606 | 13,512 | 22,512 | 55,000 | 23,727 | 41,030 | 536,436 |



The accompanying notes, set out on pages 8-17, are an integral part of these financial statements.

| | | | |
|---|-----------------|--|------------------|
| General Manager | Rokas Masiulis |  | 25 February 2013 |
| Director of Finance and Administrative Department | Mantas Bartuška |  | 25 February 2013 |

Cash flow statement

| | Notes | 2012 | 2011 |
|--|-------|-----------------|-----------------|
| Cash flows from operating activities | | (unaudited) | |
| Net profit | 15 | 41,030 | 45,253 |
| Adjustments for noncash items: | | | |
| Depreciation and amortization | 3 | 22,898 | 22,782 |
| Change in vacation reserve | | 438 | 6 |
| Impairment and write-off of property, plant and equipment | | 441 | 66 |
| Property, plant and equipment write-offs | | 255 | - |
| Change in employee benefit liabilities | | 31 | (141) |
| Change in allowance for doubtful receivables | 7 | (4) | (4) |
| Accrued emission rights | | (44) | (376) |
| Investment into associate accounted for equity method | | (84) | (138) |
| Accrued income | | (926) | (756) |
| Reserve of restructuring | | - | (547) |
| Profit on sale of non-current assets | | - | (26) |
| Other non-cash adjustments of expense (income) | | - | 12 |
| Income tax expences | | 7,340 | 7,991 |
| Interest income | 14 | (1,817) | (1,886) |
| | | 69,558 | 72,236 |
| Changes in working capital: | | | |
| (Increase) decrease in inventories | | 540 | 2,424 |
| Decrease (increase) in prepayments | | (215) | (31) |
| Decrease (increase) in trade and other accounts receivable | | (9,244) | 376 |
| Decrease (increase) in other receivables | | (1,834) | (594) |
| Increase (decrease) in trade and other payables | | 3,422 | (460) |
| Decrease (increase) in prepayments received | | 3 | (35) |
| Increase (decrease) in other current liabilities and payroll related liabilities | | (95) | 70 |
| | | 62,135 | 73,986 |
| Income tax (paid) | | (5,235) | (7,008) |
| Interest received | | 930 | 530 |
| | | 57,830 | 67,508 |
| Net cash flows from operating activities | | 57,830 | 67,508 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant, equipment and intangible assets | | (40,369) | (19,135) |
| Acquisition of Investments held-to-maturity | | (429,257) | (112,619) |
| Sales of investments held-to-maturity | | 525,918 | 44,363 |
| Other acquisition of investments | | (1,050) | (260) |
| Sale of non-current assets | | - | 625 |
| Net cash flows from investing activities | | 55,242 | (87,026) |
| 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 | | 62,718 | (19,518) |
| Cash and cash equivalents on 1 January | | 9,983 | 29,501 |
| Cash and cash equivalents on 31 December | | 72,701 | 9,983 |

The accompanying notes, set out on pages 8-17, are an integral part of these financial statements.

| | | | |
|---|-----------------|--|------------------|
| General Manager | Rokas Masiulis |  | 25 February 2013 |
| Director of Finance and Administrative Department | Mantas Bartuška |  | 25 February 2013 |

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 main activities of the Company – oil products transshipment 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 31 December 2012 all the shares were owned by 1,858 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 the year 2012. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

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

| | 31 December 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 |
| Other (less than 5 per cent each) | 66,390 | 17.44 | 67,690 | 19.79 |
| Total | 380,606 | 100.00 | 342,000 | 100.00 |

The average number of employees in the year 2012 was 327 (315 – in 2011).

The Management of the Company approved these Financial Statements on 25 February 2013.

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

In the year 2012 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 31 December 2012 the investments into implementation of LNG Terminal's project amounted to LTL 36,617 thousand – the major part of which was comprised of advance payments of LTL 25,103 thousand paid according to the Agreement to the Lead Adviser for preparation and implementation of liquefied natural gas terminal's project as well as for legal and other research services.

- **Reconstruction of HFO (i.e. heavy fuel oil products) storage tank park,** which involves demolishing of 4 storage tanks with the capacity 5,000 m³ and construction of 2 storage tanks with the capacity 32,250 m³. The investment will increase flexibility of the Company's reloading activities thus enabling to reload additional flows of oil products and will make the Terminal more attractive to its clients by giving them an opportunity to accumulate greater batches (up to 90 thousand tonnes) of the products. The investment amounts to LTL 29 million. The Company intends to complete construction at the end of 2013. The total value of the works performed amounted to LTL 3,869 thousand.

At the site of the universal storage tanks under construction the Company plans updating of the piping of the existing storage tanks of oil products that will provide technical possibility to accommodate part of the HFO storage tanks for reloading of LFO (i.e. light oil products).

- **Utilization 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 major part of the equipment under the Agreement was delivered in the third quarter of 2012, a part of construction works has been accomplished, owner-contractor agreement and contract for installation of electrical and automation equipment have been concluded. The Company has already invested LTL 5,063 thousand into this project. The total amount of investments into the project "The Procurement of vapour recovery unit" will amount about LTL 7,000 thousand.
- **Updating of HFO unloading system of rail gantry track 2.** The total value of the works performed amounted to LTL 5,332 thousand.
- **Updating of HFO unloading system of rail gantry track 1.** The total value of the works performed amounted to LTL 4,964 thousand.

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. The total value of transferred property, plant and equipment amounted to LTL 49,491 thousand.

The depreciation charge of the Company's property, plant and equipment for the year 2012 amounts to LTL 22,659 thousand (LTL 22,586 thousand – in 2011). LTL 22,609 thousand of depreciation charges have been included into cost of sales (LTL 22,474 thousand – in 2011) and the remaining amount has been included into operating expenses.

4 Inventories

| | <u>As of 31 December 2012</u> | <u>As of 31 December 2011</u> |
|---|-----------------------------------|-----------------------------------|
| | (unaudited) | |
| Oil products for sale | 362 | 1,503 |
| Spare parts, construction materials and other inventories | 772 | 171 |
| | <u>1,134</u> | <u>1,674</u> |

As of 31 December 2012 the Company accounted the allowance of LTL 6,168 thousand for the inventories (LTL 5,979 thousand in 2011), that have been written off down to the net realizable value. The Company writes allowance for the inventories down to the net realizable 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 31 December 2012 the Company stored 148,2 thousand tons of oil products delivered for transshipment in its storage tanks (143,8 thousand tons as on 31 December 2011). Such oil products are not recognized 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 31 December 2012 the Company stored 1,162 tons of heavy oil products collected in its Waste Water Treatment Facilities (31 December 2011 – 1,945 tons).

5 Trade receivables

| | <u>As of 31 December 2012</u> | <u>As of 31 December 2011</u> |
|--|-----------------------------------|-----------------------------------|
| | (unaudited) | |
| Receivables for reloading of oil products and other related services | 13,580 | 4,335 |
| | <u>13,580</u> | <u>4,335</u> |

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

On 31 December 2012 trade debts to the Company in the amount of LTL 3,012 thousand were denominated into EURO (LTL 1,926 thousand – on 31 December 2011).

6 Other receivables

| | <u>As of 31 December 2012</u> | <u>As of 31 December 2011</u> |
|--|-----------------------------------|-----------------------------------|
| | (unaudited) | |
| Accrued income | 2,315 | 1,388 |
| VAT receivable | 1,715 | 715 |
| Accrued interest on term deposits | 46 | 409 |
| Other receivables | 78 | 66 |
| | 4,154 | 2,578 |
| Less: impairment allowance for receivables | (13) | (13) |
| | <u>4,141</u> | <u>2,565</u> |

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

7 Other financial assets

| | <u>As of 31 December 2012</u> | <u>As of 31 December 2011</u> |
|--|-----------------------------------|-----------------------------------|
| | (unaudited) | |
| Loans and receivables | | |
| Cession of rights in Vnesekonombank | 100 | 100 |
| Loan to UAB „Žavesys“ | 357 | 361 |
| Less: impairment allowance for receivables | (457) | (461) |
| Total loans and receivables | <u>-</u> | <u>-</u> |

7 Other financial assets (cont'd)

| | <u>As of 31</u> <u>December 2012</u> | <u>As of 31</u> <u>December 2011</u> |
|---|---|---|
| | (unaudited) | |
| Investments held- to-maturity | | |
| Short-term deposits | 12,613 | 44,174 |
| Investments into the state government bonds of Lithuania | 3,994 | 61,717 |
| Investments into the government bonds of Lithuanian banks | 3,760 | 4,476 |
| Investments into the government bonds of foreign banks | - | 5,412 |
| Total investments held-to-maturity | 20,367 | 115,779 |
| Total other financial assets | 20,367 | 115,779 |
| Current part | 18,359 | 110,427 |
| Non-current part | 2,008 | 5,352 |

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

| Currency | <u>As of 31</u> <u>December 2012</u> | <u>As of 31</u> <u>December 2011</u> |
|-----------------|---|---|
| | (unaudited) | |
| LTL | 13,163 | 77,248 |
| EUR | 7,204 | 38,531 |
| | 20,367 | 115,779 |

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

| | <u>As of 31</u> <u>December 2012</u> | <u>As of 31</u> <u>December 2011</u> |
|---|---|---|
| | (unaudited) | |
| Cash at bank | 67,221 | 5,136 |
| The state government bonds of Lithuania | 5,479 | 3,044 |
| Government bonds of foreign countries | - | 1,803 |
| | 72,700 | 9,983 |

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

| Currency | <u>As of 31</u> <u>December 2012</u> | <u>As of 31</u> <u>December 2011</u> |
|-----------------|---|---|
| | (unaudited) | |
| LTL | 46,733 | 3,993 |
| EUR | 25,967 | 5,990 |
| | 72,700 | 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

| | As of 31 December 2012 | As of 31 December 2011 |
|------------------------------|---------------------------|---------------------------|
| | (unaudited) | |
| Payable to contractors | 2,216 | 1,204 |
| Payable for rent of land | 504 | 514 |
| Payable for railway services | 594 | 336 |
| Other trade payables | 4,064 | 2,617 |
| | 7,378 | 4,671 |

Trade payables are non-interest bearing and are normally settled on 30-day terms. On 31 December 2012 trade payables of LTL 318 thousand were denominated into euro (LTL 610 thousand were denominated into euro – on 31 December 2011).

10 Liabilities related to labor relations

As of 31 December 2012 the Company's liabilities, related to labour relations, were basically comprised of vacation reserve of LTL 1,750 thousand, social insurance payable for December of LTL 878 thousand and accumulation of bonus in the amount of LTL 1,200 thousand for the annual results (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

| | As of 31 December 2012 | As of 31 December 2011 |
|----------------------------|---------------------------|---------------------------|
| | (unaudited) | |
| Accrued expenses | 1,056 | 437 |
| Tax on real estate payable | 309 | 485 |
| Other | 21 | 24 |
| | 1,386 | 946 |

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

12 Sales income

| | 2012 | 2011 |
|--|----------------|----------------|
| | (unaudited) | |
| Sales of oil transshipment services | 131,543 | 132,223 |
| Sales of heavy oil products collected in the Waste Water Treatment | 3,233 | 5,699 |
| Other sales related to transshipment | 2,785 | 3,280 |
| Revenues of sold inventories | 1,320 | 74 |
| | 138,881 | 141,276 |

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 5,699 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

| | 2012 | 2011 |
|---|---------------|---------------|
| | (unaudited) | |
| Depreciation and amortization | 22,609 | 22,474 |
| Natural gas | 19,640 | 18,027 |
| Wages, salaries and social security | 17,862 | 17,844 |
| Railway services | 6,034 | 7,465 |
| Electricity | 5,316 | 5,478 |
| Rent of land and quays | 2,046 | 2,056 |
| Cost of sold inventories | 1,470 | 3,025 |
| Repair and maintenance of property, plant and equipment | 1,848 | 1,758 |
| Tax on real estate | 1,208 | 1,948 |
| Insurance of assets | 1,148 | 942 |
| Services for tankers | 596 | 396 |
| Inventories for resale | 547 | - |
| Work safety costs | 323 | 199 |
| Emission rights expenses | (43) | 96 |
| Other | 1,035 | 1,205 |
| | 81,639 | 82,913 |

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

| | 2012 | 2011 |
|------------------------------------|--------------|--------------|
| | (unaudited) | |
| Interest income | 1,817 | 1,886 |
| Fines received | 30 | 95 |
| Financial income, total | 1,847 | 1,981 |
| (Losses) from currency exchange | (115) | (18) |
| Fines (expenses) | (1) | (2) |
| Financial (expenses), total | 1,731 | 1,961 |

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:

| | 2012 | 2011 |
|---|-------------|---------|
| | (unaudited) | |
| Net profit attributable to shareholders | 41,030 | 45,253 |
| Weighted average number of ordinary shares (thousand) | 380,606 | 342,000 |
| Earnings per share (in LTL) | 0.11 | 0.13 |

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 | 2012 | 11,825 | - | 16 | 2,934 |
| | 2011 | 9,759 | - | - | 1,775 |
| | 2010 | 8,908 | - | 130 | 1,080 |
| State Social Insurance Fund Board under the Ministry of Social Security and Labour | 2012 | 7,350 | - | - | 878 |
| | 2011 | 4,762 | - | - | 11 |
| | 2010 | 5,334 | - | - | - |
| State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation | 2012 | 2,049 | - | - | 504 |
| | 2011 | 2,056 | - | - | 514 |
| | 2010 | 2,350 | - | - | 587 |
| AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation | 2012 | 6,061 | - | - | 594 |
| | 2011 | 8,396 | - | - | 336 |
| | 2010 | 7,845 | - | - | 1,425 |
| AB „Lesto“, owned by the State of Lithuania represented by the Ministry of Energy | 2012 | 2,448 | - | - | 350 |
| | 2011 | 2,419 | - | - | 296 |
| | 2010 | 5,159 | - | - | 343 |
| Other related parties | 2012 | - | 17 | 3 | - |
| | 2011 | - | 28 | 3 | - |
| | 2010 | 147 | 5 | 35 | - |
| Transactions with related parties, in total: | 2012 | 29,733 | 17 | 19 | 5,260 |
| | 2011 | 27,392 | 28 | 3 | 2,932 |
| | 2010 | 29,743 | 5 | 165 | 3,435 |

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.

| | As of 31 December 2012 | As of 31 December 2011 |
|------------------------------|-------------------------------|-------------------------------|
| | (unaudited) | |
| Labour related disbursements | 1.523 | 1.704 |
| Number of managers | 6 | 6 |

During twelve months of 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 18 January 2013, NORDEA BANK FINLAND PLC (hereinafter referred to as the Bank) was announced the winner of the tender "Procurement of the overdraft services" (hereinafter referred to as the Procurement), performed under the publicised negotiated procedure.

During the implementation of the Procurement 3 final tender offers were submitted by 17 January 2013, one of which was rejected for failure to comply with the requirements of Procurement documents. Upon evaluation of the final tender offers according to the lowest price criterion, the Bank was recognised to be the winner.

The Company has sent an invitation to the Bank to conclude a public procurement contract. The main conditions of the overdraft agreement:

- ✓ amount of the overdraft – LTL 120,000 thousand;
 - ✓ term of the overdraft – as from the date of conclusion of the agreement until 30 June 2015, with a possibility to extend the agreement for the term of up to 12 months with not worse conditions, provided that the Bank will adopt the decisions needed for this purpose;
 - ✓ upon request of the Company, the amount of the overdraft may be increased by 30%, i. e. up to LTL 156,000 thousand. For increase of amount of the overdraft no administrative fee shall be applied;
 - ✓ annual interest rate – floating. Base interest rate – 3 months VILIBOR. Interest margin is 0.94%, which may not be changed during the whole term of validity of the agreement.
- On 22 January 2013 the Company received a letter from the Public Procurement Office regarding presentation of the documents of international procurement "Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)" performed under the negotiated procedure (hereinafter, the Procurement) for evaluation, by which, inter alia, the Company was obligated to suspend the procedure of conclusion of the contract for Procurement until the Public Procurement Office gives an evaluation of the documents and decisions presented by the Company (contracting authority).

In the opinion of the Company, temporary suspension of the procedure of conclusion of the contract for Procurement should not have an impact on the timely implementation of the liquefied natural gas terminal project.

- The following resolutions were adopted at the Extraordinary General meeting held on 25 January 2013:
 - ✓ to conclude the contract for Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works (hereinafter referred to as the Works), necessary in constructing the connection between the Liquefied Natural Gas (LNG) Terminal's embankment within the port area of Klaipėda State Sea Port (near the northern part of Kiaulės nugara island) and Lithuanian natural gas transportation system (gas pipeline Jurbarkas–Klaipėda (part Tauragė–Klaipėda) near Klaipėda DSS-2, situated at Kiškėnai village, Dovilai eldership, Klaipėda district municipality) (hereinafter referred to as the Contract) with the winner of the Company international public tender, conducted by a way of public negotiations "Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works", who proposed the lowest price for all the scope of works – the consortium of Kauno dujotiekio statyba, AB and Šiaulių dujotiekio statyba, UAB (hereinafter referred to as the Contractor).
- The total fixed price for all the works under the Contract shall be LTL 137,999 thousand without VAT. This fixed price can increase only in the exclusive cases provided for in the Contract. The Company shall be paying the indicated fixed sum only for the indicated fixed sum only for the actual works performed under the Contract.
- ✓ all the works under the Contract shall be finished till 1 October 2014. The performance terms may only be extended in the exclusive cases set forth in the Contract.
 - ✓ to establish, that the Agreement may be concluded only after the expiry of the period of deferment of 15 days which is applicable to the conclusion of the Agreement in accordance with paragraph 22 of Article 2 of the Law of the Republic of Lithuania on Public Procurement, and in case there shall be no obligations or decisions, issued by the institutions, having the relevant authorities, which would prohibit to sign the Agreement with the concrete Contractor, which has won the public procurement."

17 Subsequent events (cont'd)

- On 28 January 2013 the Company received documents from the Klaipėda Regional Court regarding a claim filed by German concern PPS Pipeline Systems GmbH to invalidate the decisions of the commission of international procurement "Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)" performed under the negotiated procedure (hereinafter, the "Procurement").

The claimant in its claim *inter alia* asked the court:

- ✓ to acknowledge, that while participating in the Procurement the consortium of AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba had a non-allowed competition advantage, because of which its offer had to be rejected;
 - ✓ to annul the decision of the Company's public procurement commission, according to which the queue of offers was approved, and the offer of consortium was acknowledged as the winner;
 - ✓ (to oblige the Company to approve the new queue of the offers.
 - ✓ the Company will file its response to the court in due course.
- On January 2013 the Company received a notification of 29 January 2013 from the Vilnius Regional Administrative Court (hereinafter, the Court) regarding filing of a response to the complaint of AB Achema (hereinafter, Achema) concerning the resolutions of the National Control Commission for Prices and Energy (hereinafter, the NCCPE). The Company is involved in the case as a third person concerned.

In its complaint Achema asks to annul the following:

- ✓ Paragraphs 3.1 and 4 of Resolution No. O3-317 of the NCCPE "Regarding the establishment of the funds for 2013 intended for compensation, in full or in part, for expenses of the construction and operation of the liquefied natural gas terminal, its infrastructure and the connection", dated 19 October 2012. By the said paragraphs the NCCPE determined the funds for 2013, intended for compensation of the expenses (in full or in part) of the construction of the liquefied natural gas terminal (hereinafter, the LNGT), its infrastructure and the connection (LTL 113,798 thousand) and for covering of the LNGT funds administration expenses (LTL 302 thousand) and established that the NCCPE has the right to adjust such amounts of expenses in case of changes in essential circumstances, which have a significant effect on the funding and implementation of the SGDT.
 - ✓ Paragraph 2 of Resolution No. O3-330 of the NCCPE "Regarding the adjustment of the upper limits of the natural gas transmission and distribution prices of AB Lietuvos Dujos and establishment of an additional and integral component of the upper limit of the natural gas transmission price (LNGT premium) for 2013." dated 26 October 2012. By the said paragraph, the NCCPE established an additional and integral component of the upper limit of the natural gas transmission price (LNGT premium), which is intended for compensation of the expenses of construction of the LNGT, its infrastructure and the connection in 2013 (LTL 37.53 for 1,000 m3 (value added tax exclusive)).
- On 6 February 2013, on the basis of Part 3 and 4 of Article 25 of the Law on Companies of the Republic of Lithuania, the Company has received from the shareholder of the company the Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania, proposal to elect following candidates for the supervisory board members of the company in the extraordinary general meeting of shareholders, scheduled for 11 February 2013:
 - ✓ Eimantas Kiudulas, currently possessing General Manager's position at Klaipėda Free Economic Zone Management Company;
 - ✓ Romas Švedas, an independent expert, lecturer;
 - ✓ Agnė Amelija Kairytė, currently acting as the Deputy of the Head of Law Division of the Ministry of Energy of the Republic of Lithuania.
 - On 6 February 2013 the Company concluded the Overdraft Facility Agreement with the winner of the public procurement "Procurement of Overdraft Services" by way of negotiated procedures with publication of a tender notice Nordea Bank Finland Plc (hereinafter, the "Bank"). The Agreement shall enter into force upon the approval of the general shareholder meeting of the Company.
 - On 8 February 2013 the Company received a letter from the Public Procurement Office regarding evaluation of international tender "Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)" performed under the negotiated procedure (hereinafter, the Tender).

17 Subsequent events (cont'd)

- According to the aforementioned letter of the Public Procurement Office inter alia the Company was obligated to annul the following decisions adopted by the public procurement commission of the Company:
 - ✓ decisions of 3 and 5 December 2012 regarding amendment of the evaluation criteria of tender offers and respective procedural rules;
 - ✓ decision of 20 December 2012 regarding opening of the envelopes with the final tender offers of the participants of the Tender;
 - ✓ decision of 20 December 2012 regarding evaluation of final tender offers of the participants of the Tender, conclusion of the queue of tender offers, acknowledgement of the winner of the Tender and conclusion of the contract and respective announcements to the participants of the Tender in connection therewith.

- The following resolutions were adopted at the Extraordinary General meeting held on 11 February 2013:
 - ✓ to enter into the Agreement for Assignment of the Rights of Claim with the winner of the public procurement "Procurement of Overdraft Services" by way of negotiated procedures with publication of a tender notice – Nordea Bank Finland Plc, acting in Lithuania through the Lithuanian Branch of Nordea Bank Finland Plc (hereinafter, the "Bank").

to enter into an agreement with the Bank for assignment of the rights of claim to the receivable funds intended for covering all or some of the expenses of installation of the liquefied natural gas terminal, its facilities and the connection to the Bank, this agreement for assignment of the rights of claim being intended to secure the Overdraft Agreement between the Company and the Bank, pursuant to which:

the amount of the overdraft granted under the Overdraft Agreement must be LTL 120,000 thousand. Upon the unilateral request of the Company, the amount of the overdraft may be increased by 30%, i.e. up to LTL 156,000 thousand;

the overdraft must be given for a term until 30 June 2015, with a possibility to extend the agreement for an additional term of 12 months under conditions which may not be worse;

the overdraft interest: the base interest rate – 3 months' VILIBOR and the Bank's interest margin – no more than 0.94%;

the Company would assume the obligation not to pay dividend until obtaining of the deed of completion of construction of the liquefied natural gas terminal project.

the above stated restriction on the payment of dividends shall be applied and any sums under the Overdraft Agreement shall be paid to the Company upon the condition, that based on the Resolution of the Government of the Republic of Lithuania No.20 "On Dividends for the State-owned Shares of the Companies and Profit Taxes of the State-Owned Companies" from 14 January 1997 (including all later amendments hereto), there should be issued and enter into force the relevant Resolution of the Government of the Republic of Lithuania, by which there shall be established that the Manger of shares of the Company that belong to the State of the Republic of Lithuania, shall be entitled to take the decisions that the Company would abstain from payment of dividends until obtaining of the deed of completion of construction of the liquefied natural gas terminal project."
 - ✓ to revoke the Supervisory Council of the Company in corpore.
 - ✓ based on voting results the following three candidates, which had received the most votes, were elected into the Supervisory Council of the Company for the term of 4 years: Eimantas Kiudulas, Romas Švedas, Agnė Amelija Kairytė.

- On 19 February 2013 the Company, executing the obligations, indicated in the letter of 8 February 2013 of the Public Procurement Office regarding evaluation of procurement "Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)" performed under the negotiated procedure (hereinafter, the Procurement) (on the obligations of the Public Procurement Office the Company notified on 8 February 2013, by announcing the notification on material event), has renewed the Procurement procedure and has sent the invitations to the participants of the Procurement on presentation of final offers. The offers shall be evaluated according to the criterion of the most economically advantageous tender offer.

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 for the year 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

Director of Finance and Administrative Department



Mantas Bartuška