



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

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

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To: THE SECURITIES COMMISSION
OF THE REPUBLIC OF LITHUANIA

02-11-2010 No. (4.31)AG-548

CONFIRMATION OF RESPONSIBLE PERSONS

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

General Manager

Rokas Masiulis

Finance Director

Mantas Bartuska

Statement of financial position

	Notes	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
ASSETS			
Non-current assets			
Intangible assets	3	396	103
Tangible assets	3	399.151	410.113
Non-current financial assets	4	122	75
Total non-current assets		399.669	410.291
Current assets			
Inventories and prepayments			
Inventories	5	4.062	3.397
Prepayments		2	8
Total inventories and prepayments		4.064	3.405
Trade and other receivables	6	5.618	4.955
Other current assets	7	1.133	6.133
Cash and cash equivalents	8	62.692	41.188
Total current assets		73.507	55.681
Total assets		473.176	465.972

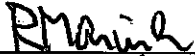

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The accompanying notes, set out on pages 9 – 15, are an integral part of these financial statements

Statement of financial position (continued)

	Notes	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	1	342.000	342.000
Legal reserve	9	19.000	15.670
Other reserves	9	68.043	50.170
Retained earnings		26.619	37.603
Total equity		455.663	445.443
Non-current amounts payable and liabilities			
Deferred tax liabilities	10	10.410	10.783
Total non-current amounts payable and liabilities		10.410	10.783
Current amounts payable and liabilities			
Dividends payable	19	227	103
Trade and other payables	11	3.386	6.140
Payroll related liabilities		2.148	1.215
Other current liabilities	12, 20	1.342	2.288
Total current amounts payable and liabilities		7.103	9.746
Total equity and liabilities		473.176	465.972

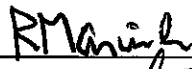
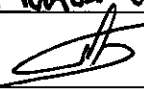
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General Manager	Rokas Masiulis		20 October 2010
Finance Director	Mantas Bartuska		20 October 2010

Statement of comprehensive income

	Notes	2010		2009	
		For the nine months period ended 30 September (unaudited)	For the three months period ended 30 September (unaudited)	For the nine months period ended 30 September (unaudited)	For the three months period ended 30 September (unaudited)
Sales	13	89.874	26.929	83.700	28.029
Cost of sales	14	(49.575)	(14.268)	(46.318)	(15.239)
Gross profit		40.117	12.661	37.382	12.790
Other operating income		31	10	9	5
Operating expenses	15	(10.732)	(2.893)	(7.216)	(2.483)
Profit from operating activities		29.416	9.778	30.175	10.312
Income from financial activities	16	1.475	420	1.100	304
Expenses from financial activities	16	(20)	(1)	(84)	(1)
Profit (loss) before Income tax		30.871	10.197	31.191	10.615
Income tax expense	17	(4.252)	(1.218)	(6.422)	(2.359)
Net profit		26.619	8.979	24.769	8.256
Basic and diluted earnings per share, in LTL	18	0,08	0,03	0,08	0,02

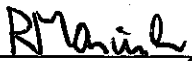

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General Manager	Rokas Masiulis		20 October 2010
Finance Director	Mantas Bartuska		20 October 2010

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2008 (audited)		342.000	14.240	36.534	28.600	421.374
Net profit for the nine months period		-	-	-	24.770	24.770
Dividends declared	19	-	-	-	(13.534)	(13.534)
Transfer from reserves		-	-	(5.230)	5.230	-
Transfer to reserves	9	-	1.430	18.866	(20.296)	-
Balance as of 30 September 2009 (unaudited)		342.000	15.670	50.170	24.770	432.610
Balance as of 31 December 2009 (audited)		342.000	15.670	50.170	37.603	445.443
Net profit for the nine months period		-	-	-	26.619	26.619
Dividends declared	19	-	-	-	(16.400)	(16.400)
Transfer from reserves		-	-	(3.221)	3.221	-
Transfer to reserves	9	-	3.330	21.094	(24.424)	-
Balance as of 30 September 2010 (unaudited)		342.000	19.000	68.043	26.619	455.662

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General Manager	Rokas Masiulis		20 October 2010
Finance Director	Mantas Bartuska		20 October 2010

Cash flow statement

	2010 For the nine months period, ended 30 September (unaudited)	2009 For the nine months period, ended 30 September (unaudited)
Cash flows from operating activities		
Net profit	26.619	24.770
Adjustments:		
Depreciation and amortisation	16.858	15.339
Impairment and write-off of property, plant and equipment	1	204
Change in allowance for inventories	55	(91)
Change in allowance for doubtful receivables	366	-
Income tax expenses	4.252	6.422
Interest expenses (income), net	(1.402)	(701)
	46.749	45.943
Changes in current assets:		
(Increase) in inventories	(720)	(164)
Decrease (increase) in trade and other receivables	(1.029)	87
Decrease (increase) in other current assets	256	1.059
Increase (decrease) in trade and other payables	(2.754)	689
Increase (decrease) in other current liabilities and payroll related liabilities	118	2.248
Income tax paid	(4.625)	(3.477)
Net cash flows from operating activities	37.995	46.385
Cash flows from investing activities		
Acquisition of non-current assets	(6.190)	(7.966)
Acquisition of investments	(47)	-
Investment in short-term deposits	4.744	(13.515)
Interest received	1.402	780
Net cash flows from investing activities	(91)	(20.701)
Cash flows from financing activities		
Dividends paid	(16.400)	(13.534)
Loan repayment	-	(15.605)
Interest paid	-	(79)
Net cash flows from financing activities	(16.400)	(29.218)
Net Increase (decrease) in cash flows	21.504	(3.534)
Cash and cash equivalents at the beginning of the period	41.188	8.594
Cash and cash equivalents at the end of the period	62.692	5.060

The accompanying notes, set out on pages 9 – 15, are an integral part of these financial statements

General Manager	Rokas Masiulis		20 October 2010
Finance Director	Mantas Bartuska		20 October 2010

Notes to the Financial Statements

1 General information

SC Klaipėdos Nafta (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania. The Company was established by SC Naftos Terminalas (Lithuania) and Lancaster Steel Inc. (USA) acquiring 51 and 49 percent of shares respectively. The Company was registered on 27 September 1994.

As of 30 September 2010 all the shares were owned by 1.437 shareholders. The Company’s share capital – LTL 342.000.000 (three hundred forty two million) is fully paid. It is divided into 342.000.000 (three hundred forty two million) ordinary shares with a par value of LTL 1. 70,63 % of the shares (241.544.426 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

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

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

	As of 30 September 2010		As of 31 December 2009	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
Government of the Republic of Lithuania, represented by the Ministry of Energy	241.544	70.63	241.544	70.63
Achema AB	-	-	31.265	9.14
UAB Concern Achema Group	32.766	9.58	-	-
Skandinaviska Enskilda Banken funds	13.752	4.02	10.539	3.08
Swedbank funds	10.803	3.16	8.720	2.55
Other (less than 5 per cent each)	43.135	12.61	49.932	14.60
Total	342.000	100.00	342.000	100.00

The Extraordinary General Meeting of the Shareholders, held on 26 August 2010, approved the resolution of the Board of SC Klaipėdos Nafta to commence development of the liquefied natural gas terminal’s project.

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

The Management of the Company approved these financial statements on 20 October 2010.

2 Accounting principles

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

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

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

3 Non-current tangible and intangible assets

The depreciation charge of the Company’s non-current tangible and intangible assets for the nine months of 2010 amounts to LTL 16.858 thousand (LTL 15.378 thousand – during the nine months of 2009). LTL 16.760 thousand of depreciation charge have been included into cost of sales (LTL 15.295 thousand of the nine months of 2009) in the Company’s statement of comprehensive income, the remaining amount has been included into operating expenses.

On 18 February 2010 the Company put into operation the updated system for light oil products loading into road tankers (the total value of the object - LTL 10.940 thousand) and completed updating of fuel oil unloading system of rail gantry track 1 (total value of the object - LTL 3.813 thousand). On 15 July 2010 the Company completed updating of storage tank T-34-7101 and process lines of Waste Water Treatment Facilities, the value of the object – LTL 3.427 thousand.

4 Non-current tangible financial assets

On 19 December 2007 the Company acquired one (1) per cent shareholding in the international pipeline company SARMATIA and purchased 180 shares at a nominal value of PLZ 500 each. During the year 2010 the Company purchased additionally 100 shares with the par value of PLZ 500 each of the increased capital. The investment was accounted for at the acquisition cost, the equivalent of which in Litas amounted to LTL 122 thousand as of 30 September 2010 (LTL 75 thousand as of 30 September 2009).

5 Inventories

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Spare parts, construction materials and other inventories	2.623	2.641
Oil products	3.128	2.470
	5.751	5.111
Less: impairment of the net value	(1.689)	(1.714)
	4.062	3.397

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

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

On 30 September 2010 the Company stores in the storage tanks 89,4 thousand tons of oil products of the Clients (134,8 thousand tons as on September 2009). Such oil products are not recognised in the Company's financial statements, they are accounted for in the off-balance sheet accounts.

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

6 Trade and other receivables

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Receivables for reloading of oil products and other related services	5.966	4.944
Other receivables	18	11
	5.984	4.955
Less: allowance for doubtful trade receivables	(366)	-
	5.618	4.955

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

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

7 Other current assets

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Deferred expenses	716	487
Other receivables	672	542
Prepaid taxes	225	842
Short-term deposits	-	4.744
	<u>1.613</u>	<u>6.615</u>
Less: impairment of the value of other current assets	(480)	(482)
	<u>1.133</u>	<u>6.133</u>

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

As of 30 September 2010 the Company had no term deposits.

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

8 Cash and cash equivalents

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Cash at bank	62.692	8.142
Short-term deposits	-	32.922
Cash in hand	-	124
	<u>62.692</u>	<u>41.188</u>

As of 30 September 2010 the Company had no term deposits, free assets were temporarily kept in the bank accounts.

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

9 Reserves

Legal reserve

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

Other reserves

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

10 Deferred income tax

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Deferred tax asset		
Non-current tangible assets (depreciation and interest)	1.319	1.270
Inventories	253	257
Accrued vacation reserve	125	180
Receivables	125	70
Deferred tax asset before valuation allowance	1.822	1.777
Less: allowance valuation	(125)	(70)
Deferred tax asset, net	1.697	1.707
Deferred tax liability		
Non-current tangible assets	(12.107)	(12.490)
Deferred income tax liability	(12.107)	(12.490)
Deferred income tax, net	(10.410)	(10.783)

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

11 Trade and other payables

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Other trade payables	1.597	1.364
Payable for construction and repair works	1.541	4.237
Payable for railway services	248	539
	3.386	6.140

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

12 Other current liabilities

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Tax on land rent	588	14
Advances received	104	59
Accrued expenses	89	162
Tax on real estate payable	-	638
	781	976

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

13 Sales

	The nine months period ended 30 September (unaudited)	
	2010	2009
Sales of oil loading / unloading services	87.172	78.331
Other sales related to loading	2.702	5.368
	89.874	83.700

Other sales related to oil loading include mooring, sales of fresh water, transportation of crew and other revenues related to loading. Other sales of the year 2009 were greater because the Company received LTL 3.200 thousand from the clients for oil products storage services.

14 Cost of sales

	The nine months period ended 30 September (unaudited)	
	2010	2009
Depreciation and amortisation	16.760	15.295
Wages, salaries and social security	11.758	11.739
Heating and steam	10.369	8.677
Railway services	4.943	3.566
Electricity	3.570	2.670
Repair and maintenance of non-current assets	895	2.959
Other	1.462	1.412
	49.757	46.318

15 Operating expenses

	The nine months period ended 30 September (unaudited)	
	2010	2009
Salaries, bonuses and social security	4.349	2.287
Tax on real estate rent	1.915	1.969
Rent of land and quays	1.762	1.762
Insurance of assets	586	746
Consulting costs	491	268
Impairment of assets, provisions	390	(877)
Charity	220	166
Depreciation and amortisation	98	83
Advertising services	90	134
Other	831	678
	10.732	7.216

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

16 Income (expenses) from financial activities, net

	The nine months period ended 30 September (unaudited)	
	2010	2009
Interest income	1.422	1.085
Gain from currency exchange	9	-
Other	44	15
Financial income, total	1.475	1.100
Interest and loan administration costs	-	(79)
Losses from currency exchange	(20)	(5)
Financial expenses, total	(20)	(84)
	1.455	1.016

17 Income tax

	The nine months period ended 30 September (unaudited)	
	2010	2009
Components of the income tax expense (income)		
Current year income tax (15 %)	4.973	6.492
Deferred tax expense (income)	(721)	(70)
Income tax expenses charged to the statement of comprehensive income	4.252	6.422

18 Earnings per share, basic and diluted

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

	The nine months period ended 30 September (unaudited)	
	2010	2009
Net profit attributable to shareholders	26.619	24.770
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,078	0,072

19 Dividends

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

* The year when dividends were declared

On 27 April 2010 the Company's shareholders announced dividends amounting to LTL 16.400 thousand for 2009 (LTL 13.532 thousand for 2008 on 23 April 2009). The major part of the amount was paid during 2010. The remaining amount of declared dividends to the shareholders, who were not found according to the stated addresses, is accounted for under dividends payable caption in the statement of financial position. As of 30 September 2010 the outstanding amount of dividends not paid during the previous financial year amounted to LTL 227 thousand (as of 30 September 2009 – LTL 103 thousand).

20 Related party transactions

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

Transaction with State institutions

	As of 30 September 2010 (unaudited)	As of 31 December 2009 (audited)
Taxes payable		
Income tax	278	1.412
Personal income tax	206	-
Other operating taxes	75	14
Contributions to warranty reserve	2	2
Tax on real estate	-	638
	<hr/> 561	<hr/> 2.066

Remuneration to the Management and other payments

During the nine months of 2010 the remuneration expenses of the Company's Management, comprised of General Manager, Deputy General Manager, Production Director, Technical Director, Finance Director, Director of Commerce and LNG Terminal Director amounted to LTL 1.581 thousand (LTL 828 thousand during nine months in 2009). The remuneration expenses increased due to the change in the Management and structural changes in May 2010 associated with the commencement of the LNG Terminal project development.

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

21 Subsequent events

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