



**AB KLAIPEDOS NAFTA
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE
MONTHS PERIOD ENDED 31 MARCH 2011 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED
BY THE EUROPEAN UNION
(UNAUDITED)**



CONTENT

1. INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011:	
1.1. STATEMENT OF FINANCIAL POSITION	3
1.2. STATEMENT OF COMPREHENSIVE INCOME	5
1.3. STATEMENT OF CHANGES IN EQUITY	6
1.4. CASH FLOW STATEMENT	7
1.5. EXPLANATORY NOTES TO FINANCIAL STATEMENTS	8



Statement of financial position

	Notes	31 March 2011	31 December 2010
		(unaudited)	
ASSETS			
Non-current assets			
Intangible assets		382	395
Tangible assets		382.948	387.590
Financial assets	7	8.161	8.124
Investment into associates		41	41
Total non-current assets		391.532	396.150
Current assets			
Inventories	4	4.918	4.098
Prepayments		652	192
Trade receivables	5	5.657	4.711
Other receivables	6	1.788	821
Other current assets	7	45.631	38.433
Cash and cash equivalents	8	32.223	29.501
Total current assets		90.869	77.756
Total assets		482.401	473.906

(cont'd on the next page)



The accompanying notes, set out on pages 8 – 15, are an integral part of these financial statements



Statement of financial position (cont'd)

	Notes	31 March 2011	31 December 2010
(unaudited)			
EQUITY AND LIABILITIES			
Equity			
Share capital	1	342.000	342.000
Legal reserve		19.000	19.000
Other reserves		68.043	68.043
Retained earnings of the previous year		26.993	26.993
Retained earnings of the current year		8.652	-
Total equity		464.688	456.036
Non-current liabilities			
Deferred tax liabilities		8.345	8.345
Non – current employee benefits		926	926
Total non-current liabilities		9.271	9.271
Current liabilities			
Trade payables	9	3.655	4.569
Payroll related liabilities	10	2.822	1.358
Provision		1.396	1.279
Income tax payable		-	399
Prepayments received		-	84
Dividends payable		39	48
Other payable and current liabilities	11	530	862
Total current liabilities		8.442	8.599
Total equity and liabilities		482.401	473.906

The accompanying notes, set out on pages 8 – 15, are an integral part of these financial statements



General Manager	Rokas Masiulis		24 May 2011
Finance Director	Mantas Bartuska		24 May 2011



Statement of comprehensive income

	Notes	For the three	For the twelve	For the three	For the twelve
		months period ended 31 March 2011	months period ended 31 December 2010	months period ended 31 March 2010	months period ended 31 December 2009
		(unaudited)		(unaudited)	
Sales	12	33.805	123.032	30.732	116.211
Cost of sales	13	(22.483)	(77.678)	(21.444)	(69.934)
Gross profit		11.322	45.354	9.288	46.277
Operating expenses		(1.667)	(17.089)	(1.771)	(5.502)
Other operating income (expenses) – net result		12	39	11	20
Profit from operating activities		9.667	28.304	7.528	40.795
Income from financial activities	14	280	1.562	581	1.783
Expenses from financial activities	14	(2)	(34)	(8)	(87)
Share of the associate's comprehensive income		-	(81)	-	-
Profit (loss) before income tax		9.945	29.751	8.101	42.491
Income tax expense		(1.293)	(3.834)	(1.290)	(5.005)
Net profit (loss)		8.652	25.917	6.811	37.486
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses) of the period	15	8.652	25.917	6.811	37.486
Basic and diluted earnings (losses) per share, in LTL	15	0,03	0,08	0,02	0,11

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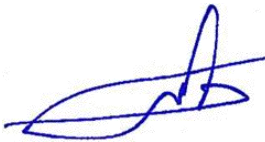
General Manager	Rokas Masiulis		24 May 2011
Finance Director	Mantas Bartuska		24 May 2011



Statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2009 (restated)	342.000	15.670	50.170	38.679	446.519
Net profit for the year (unaudited)	-	-	-	6.811	6.811
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	6.811	6.811
Balance as of 31 March 2010 (unaudited)	342.000	15.670	50.170	45.490	453.330
Balance as of 31 December 2010	342.000	19.000	68.043	26.993	456.036
Net profit for the year (unaudited)	-	-	-	8.652	8.652
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	8.652	8.652
Balance as of 31 March 2011 (unaudited)	342.000	19.000	68.043	35.645	464.688

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General Manager	Rokas Masiulis		24 May 2011
Finance Director	Mantas Bartuska		24 May 2011



Cash flow statement

	Notes	For three months period, ended 31 March (unaudited)	
		2011	2010
Cash flows from operating activities			
Net profit	15	8.652	6.811
Adjustments for non cash items:			
Depreciation and amortisation	3	5.795	5.296
Impairment and write-off of property, plant and equipment		-	4
Accrued emission rights		117	301
Change in employee benefit liabilities		-	232
Accrued income		(693)	58
Interest income		(365)	(581)
		13.506	12.121
Changes in working capital:			
(Increase) decrease in inventories		(820)	(4)
Decrease (increase) in prepayments		70	199
Decrease (increase) in trade and other accounts receivable		(1.220)	314
Increase (decrease) in trade and other payables		(1.255)	(4.006)
Decrease (increase) in prepayments received		(460)	(424)
Increase (decrease) in other current liabilities and payroll related liabilities		1.464	1.731
		11.285	9.931
Income tax (paid)		(399)	(996)
Interest received		365	581
Net cash flows from operating activities		11.251	9.516
Cash flows from investing activities			
Acquisition of non-current assets		(1.294)	(432)
Acquisition of Investments held-to-maturity		(7.235)	(16.238)
Net cash flows from investing activities		(8.529)	(16.670)
Net cash flows from financing activities			
		-	-
Net increase (decrease) in cash flows		2.722	(7.154)
Cash and cash equivalents on 1 January		29.501	41.188
Cash and cash equivalents on 31 March		32.223	34.034

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General Manager	Rokas Masiulis		24 May 2011
Finance Director	Mantas Bartuska		24 May 2011



Notes to the Financial Statements

1 General information

SC Klaipėdos Nafta, code 110648893 (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania.

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

As of 31 March 2011 all the shares were owned by 1.571 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 first quarter of 2011. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

As of 31 March 2011 and 31 December 2010 the shareholders of the Company were:

	As of 31 March 2011		As of 31 December 2010	
	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
UAB Concern Achema Group	32.766	9.58	32.766	9.58
Skandinaviska Enskilda Banken funds	14.107	4.12	14.254	4.17
Swedbank funds	10.817	3.16	10.817	3.16
Other (less than 5 per cent each)	42.766	12.51	42.619	12.46
Total	342.000	100.00	342.000	100.00

The average listed number of employees of the 31 March 2011 was 315 (307 – of the 31 March 2010).

The Management of the Company approved these financial statements on 24 May 2011.

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 2010. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2010.



3 Non-current tangible and intangible assets

During the first quarter of 2011 the Company completed updating of fuel oil unloading system of rail gantry track No.2 and started operation.

During the first quarter of 2011 the Company continued updating of the following objects: automatic part of fire-fighting system; LFO storage tanks; metering system. The amount of works performed totals to LTL 1.244 thousand.

The Company completed the first stage for realization of the International Public Tender for procurement of services of the lead advisor for the preparation and implementation of the project of a liquefied natural gas terminal, announced on 29 December 2010. The qualification and experience of all the Tenderers were assessed. The six Tenderers were invited to submit their initial proposals for the next stage.

The depreciation charge of the Company's non-current tangible and intangible assets for the first quarter of 2011 amounts to LTL 5.795 thousand (LTL 5.296 thousand – during the first quarter of 2010). LTL 5.753 thousand of depreciation charge have been included into cost of sales (LTL 5.263 thousand of the first quarter of 2010) in the Company's statement of comprehensive income, the remaining amount has been included into operating expenses.

4 Inventories

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Spare parts, construction materials and other inventories	6.313	6.288
Oil products, for sale	4.577	3.782
	10.890	10.070
Less: impairment of the net value	(5.972)	(5.972)
	4.918	4.098

On 31 March 2011 and on 31 December 2010 the Company had inventories for the amount of LTL 5.972 thousand, that have been written off down to the net sales value. The Company depreciates inventories to the net sales 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).

Oil products are energy products collected in the Waste Water Treatment Facilities. The Company did not sell any collected heavy oil products during the period from 2007 until 31 March 2011. On 31 March 2011 the Company stored 4,9 thousand tons of oil products collected in its Waste Water Treatment Facilities (4,3 thousand tons - on 31 December 2010).

On 31 March 2010 the Company stored 124,9 thousand tons of oil products delivered for transshipment in its storage tanks (79,1 thousand tons as on 31 December 2010). 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.

Change in the allowance of inventories as of 31 March 2011 and 31 December 2010 is included under operating costs in the Statement of comprehensive income.

5 Trade receivables

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Receivables for reloading of oil products and other related services	5.657	4.711
	5.657	4.711



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

On 31 March 2011 trade debts to the Company in the amount of LTL 1.987 thousand were denominated into EURO (LTL 9 thousand – on 31 December 2010).

6 Other receivables

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Accrued income	1.325	633
VAT receivable	188	76
Other taxes receivable	166	54
Other receivables	122	71
	<u>1.801</u>	<u>834</u>
Less: allowance for receivables	(13)	(13)
	<u>1.788</u>	<u>821</u>

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

7 Other financial assets

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Loans and receivables		
Transferred rights of demand in Vnesekonombank	100	100
Loan to UAB „Žavesys“	364	365
Less: allowance for receivables	(464)	(465)
Total: Loans and receivables	<u>-</u>	<u>-</u>
Investments held-to-maturity		
Short-term deposits	21.872	21.872
Investments into the state securities of Lithuania	24.733	17.391
Investments into the securities of foreign countries	1.783	1.870
Investments into the securities of Lithuanian banks	5.404	5.424
Total: Investments held-to-maturity	<u>53.792</u>	<u>46.557</u>
Total: other financial assets	<u>53.792</u>	<u>46.557</u>
Current (short-term) part	<u>45.631</u>	<u>38.433</u>
Non-current (long-term) part	<u>8.161</u>	<u>8.124</u>



Calculated values of other financial assets denominated in the following currencies:

Currency	As of 31	As of 31
	March 2011	December 2010
	(unaudited)	
EUR	10.757	6.628
LTL	43.035	39.929
	53.792	46.557

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. Change in allowance for receivables as on 31 March 2011 and 31 December 2010 has been included into operating expenses in the Statement of Comprehensive income.

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

8 Cash and cash equivalents

	As of 31	As of 31
	March 2011	December 2010
	(unaudited)	
Cash at bank	5.195	4.067
Sort-term deposits	22.849	14.453
Securities of foreign countries	-	7.277
Securities of Lithuanian banks	4.179	2.149
Investment units of money market	-	1.555
	32.223	29.501

Money in a bank earns variable interest depending on the closing balance of every day. As of 31 March 2011 the Company had term deposits of LTL 22.849 thousand (LTL 14.453 thousand – as of 31 December 2010) with the average maturity of 40 days (90 days – as of 31 December 2010) and an average interest rate of 1,06 % (1,35 % - as of 31 December 2010).

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

Currency	As of 31	As of 31
	March 2011	December 2010
EUR	4.804	1.774
LTL	27.419	27.727
	32.223	29.501

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



9 Trade payables

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Payable for railway services	583	1.425
Payable to contractors	491	423
Other trade payables	2.581	2.721
	3.655	4.569

Trade payables are non-interest bearing and are normally settled on 30-day terms. As on 31 March 2011 the Company had no trade payables denominated into EURO (LTL 5 thousand – on 31 December 2010).

10 Liabilities related to labour relations

As of 31 March 2011 the Company's liabilities, related to labour relations, were comprised of the calculated salaries for March in the amount of LTL 1.507 thousand and vacation reserve of LTL 1.311 thousand (LTL 1.355 thousand – on 31 December 2010).

11 Other current liabilities

	As of 31 March 2011 (unaudited)	As of 31 December 2010
Tax on real estate payable	-	649
Accrued expenses	521	181
Other	9	32
	530	862

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

12 Sales income

	For three months period, ended 31 March (unaudited)	
	2011	2010
Sales of oil reloading services	32.296	29.696
Other sales related to loading	1.509	763
	33.805	30.732

The Company's income increased due to the greater transshipment tariffs after refusal of the services of intermediaries. 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 three months period, ended 31 March (unaudited)	
	2011	2010
Depreciation and amortisation	5.753	5.263
Wages, salaries and social security	3.906	3.932
Gas	5.586	5.518
Railway services	3.236	2.488
Electricity	1.804	1.762
Tax on real estate	488	638
Rent of land and quays	514	587
Repair and maintenance of non-current assets	342	255
Emission rights expenses	117	301
Insurance of assets	231	196
Other	506	504
	22.483	21.444

14 Income (expenses) from financial activities, net

	For three months period, ended 31 March (unaudited)	
	2011	2010
Interest income	280	579
Fines received	-	2
Financial income, total	280	581
Losses from currency exchange	(2)	(8)
Financial expenses, total	(2)	(8)
	278	573

15 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:

	For three months period, ended 31 March (unaudited)	
	2011	2010
Net profit attributable to shareholders	8.652	6.811
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,03	0,02



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 of 31 March 2011 and of 31 March 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	as of 31 March 2011	1.794	-	353	185
	as of 31 March 2010	2.126	-	199	755
State Social Insurance Fund Board under the Ministry of Social Security and Labour	as of 31 March 2011	1.119	-	-	-
	as of 31 March 2010	1.109	-	-	-
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	as of 31 March 2011	514	-	-	514
	as of 31 March 2010	587	-	-	-
AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	as of 31 March 2011	3.236	-	-	583
	as of 31 March 2010	2.487	-	-	519
AB VST, UAB Energy supply centre, with the main shareholder being the State of Lithuania represented by the Ministry of Energy	as of 31 March 2011	1.804	-	-	677
	as of 31 March 2010	1.763	-	-	659
Other related parties	as of 31 March 2011	-	11	3	-
	as of 31 March 2010	-	13	3	-
Transactions with related parties, in total:	as of 31 March 2011	8.467	11	3	1.959
	as of 31 March 2010	8.072	13	3	1.933

Remuneration to the Management and other payments

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

	As of 31 March 2011	As of 31 March 2010
Labour related disbursements	384	275
Number of managers	7	5

During three months of 2011 and 2010 the Management of the Company did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.



17 Commitments and contingencies

On April 18, 2011 SC Klaipėdos Nafta obtained from Klaipėda District Court a claim from UAB NAFTOS GRUPE against the Company for the allegedly incurred losses for 17 mln. Litas compensation, for oil products surplus reimbursement to „Naftos grupė“ UAB allegedly belonging to „Naftos grupė“ and held by the Company and for recognition of Service contract from 22-12-2004, Nr. 12-12-2005 that was cancelled allegedly due to the SC Klaipėdos Nafta fault.

18 Subsequent events

On 20 April 2011 the Company signed 33 percent share purchase agreement with UAB BALTPPOOL.

The General Shareholders' Meeting, held on 28 April 2011, returned the set of Annual Financial Statements for the year 2010 to the Board for revision taking into consideration a notification received on 18 April 2011 from Klaipėda District Court about a claim from UAB NAFTOS GRUPE submitted against the Company regarding compensation of the allegedly incurred losses in the amount of LTL 17 million. The Meeting also postponed adoption of the resolution regarding appropriation of the Company's profit (loss) for the year 2010.

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 three months ended 31 March 2011, 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 (loss) of SC Klaipėdos Nafta.

General Manager

Rokas Masiulis

Finance Director

Mantas Bartuska