



**SC KLAIPĖDOS NAFTA
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE
MONTHS PERIOD ENDED 30 SEPTEMBER 2011 PREPARED ACCORDING
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)**



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Statement of financial position

	Notes	30 September 2011	31 December 2010
		(unaudited)	
ASSETS			
Non-current assets			
Intangible assets		308	395
Tangible assets		375.682	387.590
Other financial assets	7	11.732	8.124
Investments into associates		301	41
Total non-current assets		388.023	396.150
Current assets			
Inventories	4	1.840	4.098
Prepayments		188	192
Trade receivables	5	5.867	4.711
Other receivables	6	1.674	821
Other financial assets	7	91.020	38.433
Cash and cash equivalents	8	20.001	29.501
Total current assets		120.590	77.756
Total assets		508.613	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	30 September 2011 (unaudited)	31 December 2010
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		25.973	25.973
Retained earnings of the current year		36.063	-
Total equity		491.079	455.016
Non-current liabilities			
Deferred tax liabilities		7.795	8.345
Non-current employee benefits		748	926
Total non-current liabilities		8.543	9.271
Current liabilities			
Trade payables	9	2.762	4.569
Payroll related liabilities	Klaida! Nerastas nuorodos šaltinis.	2.595	2.558
Provision		1.131	1.279
Income tax payable		1.819	219
Prepayments received		-	84
Dividends payable		39	48
Other payable and current liabilities	11	645	862
Total current liabilities		8.991	9.619
Total equity and liabilities		508.613	473.906



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

General Manager	Rokas Masiulis		18 November 2011
Finance Director	Mantas Bartuska		18 November 2011

Statement of comprehensive income

		2011		2010	
		For the nine months period ended 30 September	For the three months period ended 30 September	For the nine months period ended 30 September	For the three months period ended 30 September
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	12	108.063	28.291	88.573	25.771
Costs of sales	13	(62.018)	(17.192)	(55.926)	(15.988)
Gross profit		46.045	11.099	32.647	9.783
Operating expenses		(4.861)	(1.258)	(6.384)	(1.779)
Other operating income (expenses) – net result		15	2	31	10
Profit from operating activities		41.199	9.843	26.294	8.014
Income from financial activities	14	1.290	562	1.475	419
Expenses from financial activities	14	(13)	(3)	(20)	(1)
Profit before income tax		42.476	10.402	27.749	8.432
Income tax expense		(6.413)	(2.240)	(4.252)	(1.217)
Net profit		36.063	8.162	23.497	7.215
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses)/ profit (loss) attributed to the shareholders	15	36.063	8.162	23.497	7.215
Basic and diluted earnings (losses) per share, in LTL	15	0.11	0.02	0.07	0.02



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General Manager	Rokas Masiulis		18 November 2011
Finance Director	Mantas Bartuska		18 November 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	36.403	444.243
Net profit for the nine months period	-	-	-	26.620	26.620
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	26.620	26.620
Announced dividends	-	-	-	(16.400)	(16.400)
Transfers between reserves	-	3.330	17.873	(21.203)	-
Balance as of 30 September 2010 (unaudited)	342.000	19.000	68.043	25.420	454.463
Balance as of 31 December 2010 (audited)	342.000	19.000	68.043	25.973	455.016
Net profit for the nine months period	-	-	-	36.063	36.063
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	36.063	36.063
Balance as of 30 September 2010 (unaudited)	342.000	19.000	68.043	62.036	491.079



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General Manager	Rokas Masiulis		18 November 2011
Finance Director	Mantas Bartuska		18 November 2011

Cash flow statement

	Notes	For nine months period, ended 30 September (unaudited)	
		2011	2010
Cash flow from operating activities			
Net profit	15	36.063	23.497
Adjustments for non-cash items:			
Depreciation and amortisation	3	17.340	16.858
Impairment and write-off of non-current tangible assets		-	1
Change in allowance for inventories		-	279
Emission rights provision		(148)	903
Change in employee benefit liabilities		(178)	694
Change in allowance for doubtful receivables		-	366
Accrued income		(853)	1.301
Income tax expences		6.963	4.252
Interest income	14	(1.228)	(1.422)
		57.959	46.729
Changes in working capital:			
(Increase) decrease in inventories		2.258	(720)
(Increase) decrease in prepayments		4	256
(Increase) decrease in trade and other accounts receivable		(1.156)	(1.029)
Increase (decrease) in trade and other payables		(1.832)	(2.754)
Increase (decrease) in other current liabilities and payroll related liabilities		(248)	118
		56.985	42.600
Income tax (paid)		(5.913)	(4.625)
Interest received	14	1.228	1.422
		52.300	39.397
Net cash flows from operating activities			
Cash flows from investing activities			
(Acquisition) of non-current assets		(5.605)	(6.190)
(Acquisition) of Investments held-to-maturity		(56.195)	4.697
		(61.800)	(1.493)
Net cash flows from investing activities			
Cash flows from financing activities			
Dividends (payments)		-	(16.400)
		-	(16.400)
Net cash flows from financial activities			
Net increase (decrease) in cash and cash equivalents		(9.500)	21.504
Cash and cash equivalents at the beginning of the year		29.501	41.188
Cash and cash equivalents on 30 September		20.001	62.692

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

General Manager	Rokas Masiulis		18 November 2011
Finance Director	Mantas Bartuska		18 November 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 30 September 2011 all the shares were owned by 1.619 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 nine months period in 2011. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

As of 30 September 2011 and 31 December 2010 the shareholders of the Company were:

	30 September 2011		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	34.203	10.00	32.766	9.58
Skandinaviska Enskilda Banken funds	13.297	3.89	14.254	4.17
Swedbank fund	10.151	2.97	10.817	3.16
Other (less than 5 per cent each)	42.805	12.51	42.619	12.46
Total	342.000	100.00	342.000	100.00

The average number of employees on 30 September 2011 was 315 (306 – on 30 September 2010).

The Management of the Company approved these Financial Statements on 18 November 2011.

2 Accounting principles

These financial statements have been prepared on a historical cost basis, all the amounts are presented in Litas (LTL) 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 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 assets

During nine months period in 2011 the Company completed updating of fuel oil unloading system of rail gantry track No. 2 and LFO storage tanks and started operation. During nine months period in 2011 the Company continued updating of the following objects: the automatic part of the fire-fighting system reconstruction and modernisation of the metering system. The amount of works performed totals to LTL 4.799 thousand.

On 10 June 2010 the Company started the investment project "Procurement of hydrocarbon vapour recovery unit" in order to reduce environmental pollution. On 29 September 2011 the procurement contract was signed with the company "John Zink International Luxemburg SARL". The equipment shall be delivered within nine months from Contract date. At present the engineering works are simultaneously in progress.

On 30 June 2011 the Company signed a contract with the lead advisor for the preparation and implementation of the project of a liquefied natural gas terminal, international company – Fluor S.A. Extraordinary General Meeting of Shareholders, which took place on 27 July 2011, approved the Contract.

On 20 September 2011 the Company's Public Procurement Commission has announced the procurement of "Acquisition of Liquefied Natural Gas Floating Storage and Regasification Unit". 3 tenderers have expressed their interest to take part in the public tender.

The depreciation charge of the Company's non-current assets for nine months of 2011 amounts to LTL 17.340 thousand (LTL 16.858 thousand – during nine months of 2010). LTL 17.209 thousand of depreciation charge have been included into cost of sales (LTL 16.760 thousand of nine months of 2010) in the Company's Statement of Comprehensive income, the remaining amount has been included into operating expenses.

4 Inventories

	<u>As of 30 September 2011</u>	<u>As of 31 December 2010</u>
	(unaudited)	
Spare parts, construction materials and other inventories	6.474	6.288
Oil products for sale	1.338	3.782
	7.812	10.070
Less: allowance for inventories	(5.972)	(5.972)
	<u>1.840</u>	<u>4.098</u>

On 30 September 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 makes allowance for the inventories 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).

Oil products are energy products collected in the Waste Water Treatment Facilities. As of 30 September 2011 the Company sold 3.817 tons of heavy oil products collected in its Waste Water Treatment Facilities. On 30 September 2011 the Company stored 1.539 tons of heavy oil products collected in its Waste Water Treatment Facilities (31 December 2010 – 4.300 tons).

On 30 September 2011 the Company stored 161,5 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 30 September 2011 and 31 December 2010 is included under operating costs in the Statement of comprehensive income.

5 Trade receivables

	As of 30 September 2011	As of 31 December 2010
	(unaudited)	
Receivables for reloading of oil products and other related services (net realizable value)	5.867	4.711
	5.867	4.711

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

On 30 September 2011 trade debts to the Company in the amount of LTL 127 thousand were denominated into EURO (LTL 9 thousand – on 31 December 2010).

6 Other receivables

	As of 30 September 2011	As of 31 December 2010
	(unaudited)	
Accrued income	1.397	633
VAT receivable	-	76
Other taxes receivable	-	54
Other receivables	290	71
	1.687	834
Less: allowance for receivables	(13)	(13)
	1.674	821

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

7 Other financial assets

	As of 30 September 2011	As of 31 December 2010
	(unaudited)	
Loans and receivables		
Deposit	172	-
Transferred rights of demand in Vnesekonombank	100	100
Loan to UAB „Žavesys“	363	365
Less: allowance for receivables	(463)	(465)
Total loans and receivables	172	-
Investments held-to-maturity		
Short-term deposits	43.418	21.872
Investments into the state securities of Lithuania	51.278	17.391
Investments into the securities of foreign countries	1.802	1.870
Investments into the securities of Lithuanian bank	719	5.424
Investments into the securities of foreign bank	5.363	-
Total investments held-to-maturity	102.580	46.557
Total other financial assets	102.752	46.557
Current part	91.020	38.433
Non-current part	11.732	8.124

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

Currency	As of 30 September 2011	As of 31 December 2010
	(unaudited)	
EUR	18.591	6.628
LTL	84.591	39.929
	102.752	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 30 September 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 30 September 2011	As of 31 December 2010
	(unaudited)	
Cash at bank	3.060	4.067
Short-term deposits	16.847	14.453
Securities of foreign countries	-	7.277
Securities of Lithuanian banks	-	2.149
Investment units of money market	94	1.555
	20.001	29.501

Cash in a bank earns variable interest depending on the closing balance of every day. As of 30 September 2011 the Company had term deposits of LTL 16.847 thousand (LTL 14.453 thousand – as of 31 December 2010) with the average maturity of 17 days (90 days – as of 31 December 2010) and an average interest rate of 1,39 % (1,35 % - as of 31 December 2010).

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

Currency	As of 30 September 2011	As of 31 December 2010
EUR	19.058	1.774
LTL	943	27.727
	20.001	29.501

The maximum exposure to credit risk on the 30 September 2011 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 30 September 2011 (unaudited)	As of 31 December 2010
Payable for railway services	351	1.425
Payable to contractors	405	423
Other trade payables	2.006	2.721
	2.762	4.569

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

10 Payroll related liabilities

As of 30 September 2011 the Company's liabilities, related to labour relations, were comprised of the calculated salaries and social security tax for September in the amount of LTL 1.598 thousand and vacation reserve of LTL 997 thousand (As of 31 December 2010 the Company's liabilities, related to labour relations, were basically comprised of vacation reserve of LTL 1.311 thousand and accumulation of bonus in the amount of LTL 1.200 thousand for the annual results).

11 Other current liabilities

	As of 30 September 2011 (unaudited)	As of 31 December 2010
Tax on real estate payable	-	649
VAT payable	317	-
Accrued expenses	130	181
Other	198	32
	645	862

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

12 Sales income

	For the nine months period, ended 30 September (unaudited)	
	2011	2010
Sales of oil transshipment services	94.617	87.172
Sales of heavy oil products collected in the Waste Water Treatment Facilities	5.699	-
Revenues for storage of oil products	4.584	-
Other sales related to transshipment	3.163	1.401
	108.063	88.573

The Company's income increased due to the greater transshipment tariffs after refusal of the services of Intermediaries, LTL 4.584 thousand received for storage of oil products and LTL 5.699 thousand for the sale of heavy oil products collected in the Waste Water Treatment Facilities of the Company after bilge water cleaning.

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 the nine months period, ended 30 September (unaudited)	
	2011	2010
Depreciation and amortisation	17.209	16.760
Wages, salaries and social security	11.991	12.761
Gas	12.758	10.369
Railway services	5.969	4.943
Electricity	3.987	3.570
Cost of sold inventories	2.977	43
Rent of land and quays	1.542	1.762
Tax on real estate	1.462	1.915
Repair and maintenance of non-current assets	1.170	895
Emission rights expenses	735	903
Insurance of assets	697	586
Other	1.519	1.418
	62.018	55.926

14 Income (expenses) from financial activities, net

	For the nine months period, ended 30 September (unaudited)	
	2011	2010
Interest income	1.228	1.422
Earnings from exchange rate change	-	9
Fines received	62	44
Financial income, total	1.290	1.475
(Losses from) currency exchange	(11)	(20)
Fines (expenses)	(2)	-
Financial (expenses), total	(13)	(20)
	1.277	1.455

15 Earnings per share, basic and dilute

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 the nine months period, ended 30 September (unaudited)	
	2011	2010
Net profit attributable to shareholders	36.063	23.497
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,11	0,07

16 Related party transaction

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 30 September 2011 and of 30 September 2010 were as follows:

Transactions with the 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 September 2011	8.459	-	-	2.348
	30 September 2010	6.575	-	225	561
State Social Insurance Fund Board under the Ministry of Social Security and Labour	30 September 2011	3.484	-	-	615
	30 September 2010	3.536	-	-	605
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	30 September 2011	1.542	-	-	514
	30 September 2010	1.762	-	-	587
AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	30 September 2011	6.884	-	-	351
	30 September 2010	5.334	-	-	248
AB „Lesto“, owned by the State of Lithuania represented by the Ministry of Energy	30 September 2011	1.765	-	-	184
	30 September 2010	3.207	-	-	332
Other related parties	30 September 2011	-	20	2	-
	30 September 2010	-	23	2	-
Transactions with related parties, in total:	30 September 2011	22.134	20	2	4.012
	30 September 2010	20.414	23	2	2.333

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.

	<u>As of 30 September 2011</u>	<u>As of 31 December 2010</u>
Labour related disbursements	1.378	1.581
Number of managers	7	6

During nine months period in 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 Contingencies

On April 18, 2011 the Company obtained from Klaipeda District Court a claim from "Naftos grupė" UAB against the Company for the allegedly incurred losses for 17.091 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. According to the Company's Management and after consultation with Company's external lawyers, taking into account the evidences submitted by „Naftos grupė“ UAB, provisions of law and practice of judicial proceedings connected with loss income, costs and unilateral termination of contract, it follows, that the major part of application requirements are possibly unreasonable.

After the evaluation of the service contract with non-market conditions concluded on 22 12 2004 among SC Klaipėdos Nafta and „Naftos grupė“ UAB and its influence on the result of SC Klaipėdos Nafta activity over the period from January 2005 to June 2010, it has been determined, that because of this contract SC Klaipėdos Nafta could incur losses of LTL 40 mln. On July 5, 2011 the Company seeking to recover the part of the incurred losses, submitted a counterapplication to „Naftos grupė“ UAB. Total sum of the application requirement is LTL 42,6 mln.

18 Subsequent events

Public Procurement Office sent contract notice of SC Klaipėdos Nafta on "Acquisition of Liquefied Natural Gas Floating Storage and Regasification Unit" to Official Journal of European Union and publication "Valstybės žinios" on 20 September 2011. Pursuant to Article 23(3) of the Law on Public Procurement the aforementioned public procurement is deemed to be announced on the said date, i.e. 20 September 2011. Requests to participate in the said public procurement are due before 24th October 2011. 3 tenderers have expressed their interest to take part in public tender of SC Klaipėdos nafta "Procurement of LNG Floating Storage and Regasification Unit".

State-owned company Klaipėdos Nafta and oil refinery Orlen Lietuva have signed a new long term agreement for transshipment of oil products (further agreement), which will be effective until the end of 2024. The agreement will come into force after the approval of the Management Board of joint stock company Klaipėdos Nafta.

The new revised agreement has removed the excessive commitments and ensured the favorable transshipment conditions for both companies. According to the agreement SC Klaipėdos nafta will provide the transshipment services for the main oil products, i.e. heavy oil, gasoline and diesel, agreed transshipment volume should remain on the same level as today. The agreement has been signed following the principle of equality, evaluating both parties' needs.

SC Klaipėdos nafta has implemented the strategic goal – improving the partnership with oil refinery AB Orlen Lietuva, ensured long term transshipment service capacity utilization.

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 nine months ended 30 September 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 or loss of SC Klaipėdos Nafta.

General Manager



Rokas Masiulis

Finance Director



Mantas Bartuška