

SC KLAIPĖDOS NAFTA

UNAUDITED INTERIM FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2008

**INTERIM FINANCIAL STATEMENTS
FOR THE YEAR 2008 (ENDED 31-12-2008)
(NOT AUDITED)**

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission and Article 22 of the Law on Securities of The Republic of Lithuania, we, Jurgis Aušra, Director General of SC Klaipėdos Nafta, and Johana Bučienė, Chief Financier of SC Klaipėdos Nafta, hereby confirm that to the best of our knowledge, the attached amended interim financial statements of SC Klaipėdos Nafta for the year 2008, prepared in accordance with 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 or loss of SC Klaipėdos Nafta.

Director General



Jurgis Aušra

Chief Financier



Johana Bučienė

Interim income statement

	Notes	For the year 2008		For the year 2007	
		31 December	4 Quarter, October- December	31 December	4 Quarter, October- December
Sales	3	119 612	28 409	78 663	18 635
Cost of sales	3	(67 021)	(16 129)	(53 862)	(11 395)
Gross profit		52 591	12 280	24 801	7 240
Operating expenses		(19 089)	(11 830)	(12 107)	(5 950)
Operating profit		33 502	450	12 694	1 290
Other operating income (expenses), net		48	41	322	(11)
Income from financial and investment activities		775	277	281	64
Expenses from financial and investment activities		(1 285)	(308)	(2 132)	(461)
Profit before tax		33 040	460	11 165	882
Income tax	5	(4 442)	145	(2 428)	(601)
Net profit		28 598	605	8 737	281
Basic and diluted earnings per share (in LTL)		0,08	-	0,03	-

Director General

Jurgis Aušra



25 February 2009

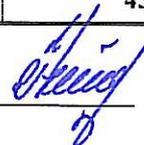
SC KLAIPĖDOS NAFTA, company code 110648893, Burių Str. 19, Klaipėda
UNAUDITED INTERIM FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008
 (all amounts are in LTL thousand unless otherwise stated)

Interim balance sheet

	Notes	2008-12-31	2007-12-31
ASSETS		Unaudited	Audited
Non-current assets			
Intangible assets		64	132
Tangible assets	7	413 673	427 490
Non-current financial assets	7	75	86
Total non-current assets		413 812	427 708
Current assets			
Inventories and prepayments			
Inventories	8	3 541	1 974
Prepayments		406	340
<i>Total inventories and prepayments</i>		<i>3 947</i>	<i>2 314</i>
Amounts receivable within one year			
Trade receivables		5 026	2 715
Other amounts receivable		4 286	7 161
<i>Total Amounts receivable within one year</i>		<i>9 312</i>	<i>9 876</i>
Other current assets, term deposits	4	24 573	4 023
Cash and cash equivalents	4	3 868	2 451
Total current assets		41 700	18 664
Total assets		455 512	446 372
EQUITY AND LIABILITIES			
Equity			
Share capital	1	342 000	342 000
Legal reserve		14 240	13 790
Other reserves		36 534	35 221
Retained earnings		28 598	8 737
Total equity		421 372	399 748
Amounts payable after one year and liabilities			
Non-current loans	9		15 605
Deferred tax liability		14 828	12 184
Total Amounts payable after one year and liabilities		14 828	27 789
Amounts payable within one year and liabilities			
Current portion of non-current loans	9	15 605	15 605
Dividends payable		68	118
Trade and other payables		2 096	1 745
Payroll related liabilities		1 325	1 123
Other current liabilities		218	244
Total amounts payable within one year and liabilities		19 312	18 835
Total equity and liabilities		455 512	446 372

Director General

Jurgis Aušra



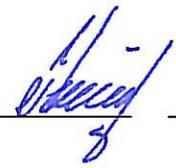
25 February 2009

Interim statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 31 December 2006	342 000	13 140	29 187	12 807	397 134
Net profit for the period	-	-	-	8 737	8 737
Dividends approved	-	-	-	(6 123)	(6 123)
Transfer from reserves	-	-	(2 500)	2 500	-
Transfer to reserves	-	650	8 534	(9 184)	-
At 31 December 2007	342 000	13 790	35 221	8 738	399 748
Net profit for the period	-	-	-	28 598	28 598
Dividends approved	-	-	-	(6 974)	(6 974)
Transfer from reserves	-	-	(8 698)	8 698	-
Transfer to reserves	-	450	10 011	(10 461)	-
At 31 December 2008 (unaudited)	342 000	14 240	36 534	28 598	421 372

Director General

Jurgis Aušra



25 February 2009

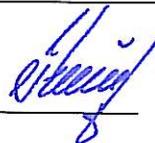
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UNAUDITED INTERIM FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008
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Interim cash flow statement

	Notes	2008 -12-31	2007-12-31
Cash flows from operating activities			
Cash receipts (inc. VAT) of the accounting period		121 820	85 763
Cash receipts from clients		121 070	85 143
Other receipts		750	620
Cash payments of the accounting period		-89 331	-58 565
Cash payments to the suppliers of raw materials, goods and service providers		- 39 646	-29 840
Cash payments related to labour relations		-19 298	-17 097
Taxes paid to the budget		-6 023	-6 600
Other payments		-24 364	-5 028
Net Cash flows from operating activities		32 489	27 198
Cash flows from investing activities			
Acquisition of non-current assets (except investments)		-7 362	-5 853
Transfer of non-current assets (except investments)			
Acquisition of investments			
Transfer of investments			
(Investments) into short-term deposits			
Other increase of cash flows from investing activities			246
Net Cash flows from investing activities		-7 362	-5 607
Cash flows from financial activities			
Cash flows associated with the owners of the Company		-6 975	-6 214
Share issue (acquisition)			-86
Dividend payment		-6 975	-6 128
Cash flows associated with other financing sources		-16 721	-15 173
Decrease of financial debts		-16 721	-15 173
Loan repayment		-15 605	-8 256
Interests paid		-1 210	-2 037
Payments of lease (financial lease)		94	-4 880
Net cash flows from financial activities		-23 696	-21 387
Cash flows of special items			
Increase of cash flows of special items		0	0
Decrease of cash flows of special items			
Impact of currency exchange rate alteration on the balance of cash and cash equivalents		-15	-8
Net increase (decrease) in cash flows		1 417	195
Cash and cash equivalents at the beginning of the period		2 451	2 256
Cash and cash equivalents at the end of the period		3 868	2 451

Director General

Jurgis Aušra



25 February 2009

The accompanying Notes are an integral part of these financial statements

Notes to the interim 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, Klaipėda,
Lithuania.

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

The Company’s authorized capital as on 31 December 2008 – 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. All the shares are owned by 1431 shareholders, 70,63 % of the shares (241 544 426 shares) belong to the State. The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the year 2008. The Company’s shares are listed in the Baltic Secondary List on the Vilnius Stock Exchange.

As at 31 December 2008 and 31 December 2007 the shareholders of the Company were:

	31 December 2008		31 December 2007	
	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 Economy	241 544	70,63	241 544	70,63
SC Achema	26 022	7,61	5 586	1,63
Hansabank funds	7 131	2,09	24 331	7,11
Skandinaviska Enskilda Banken funds	11 386	3,33	12 703	3,71
Other (less than 5 per cent each)	55 917	16,34	57 836	16,92
Total	342.000	100,00	342 000	100,00

The General Shareholders’ Meeting, held on 22 April 2008, approved profit appropriation for the financial year of 2007 and allocated dividends in the amount of LTL 6 974 000 to the shareholders for the year 2007. According to the Contract with SEB Bankas the Company transferred the dividends of the year 2007 to the Bank and the Bank paid the dividends to the shareholders. The dividends of the year 2007 in the amount of LTL 6 964 626 were paid to the shareholders in the year 2008 (dividends of the year 2007 in the amount of LTL 4 925 529 were transferred to the main shareholder - the Government of LR represented by the Ministry of Economy); but LTL 9 374 were not paid because part of the shareholders did not inform about their data or did not address the Bank so that the amounts of the dividends payable could be transferred to them.

As on 31 December 2008 the Company owes its shareholders the dividends in the amount of LTL 9 353 allocated in the year 1999; the amount of LTL 772 allocated in the year 2000; the amount of LTL 18 024 allocated in the year 2002; the amount of LTL 23 152 allocated in the year 2003; the amount of LTL 7 538 allocated in 2006; the amount of LTL 9 374 allocated in 2007. The total amount of the unpaid dividends to the shareholders is LTL 68 214. It is accounted for in the line “Dividends payable” of the interim balance sheet.

In the year 2008 the average listed number of employees was 301 as compared to 300 employees in 2007.

2 Accounting principles

The interim financial statements for the twelve months period ended 31 December 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2008.

The Company’s interim financial statements have been prepared according to the accounting principles used in preparation of the annual financial statements for the year 2007, except for the newly adopted standards and interpretations.

3 Income and Cost of sales

During the year 2008, if compared to the transshipment of 2007 (5 403 thousand tonnes), the Company reloaded 52 per cent or 2,8 million tonnes more oil products and by 16 per cent exceeded the annual design capacity (7,1 million tonnes) of the terminal.

During the year 2008, if compared to 2007, the Company's income increased from LTL 78,66 million up to LTL 119,61 million or by 52 per cent. The major part of the income (97 %) is made of the income from the transshipment of oil products. Due to the increase of the transshipment of oil products by 52 per cent from 5 403 thousand tonnes (in 2007) up to 8 213 thousand tonnes (in 2008) has adequately increased the main operating revenues.

The Company's cost of sales has increased from LTL 53,86 million up to LTL 67,02 million or by 24 per cent. The increased power resources (gas and electricity) expenses (which in 2008 amounted to LTL 22,8 million, in 2007 – to LTL 12,4 million) had major impact on the said increase. The amount of the power resources expenses depends upon the volume of the transhipped oil products and on the increasing gas and electricity prices. The power resources (gas and electricity) expenses amount to 32 per cent and depreciation expenses – to 28 per cent in the cost of sales of the year 2008.

4 Cash and cash equivalents

	<u>31 December 2008</u>	<u>31 December 2007</u>
	<u>Unaudited</u>	<u>Audited</u>
Cash at bank	3 672	2 352
Cash in hand	196	99
	<u>3 868</u>	<u>2 451</u>

On 31 December 2008 the Company had six term deposits in the amount of LTL 24573 thousand. The duration of the deposits: 91-180 days and the annual interest rate: 5,4 – 8,5 per cent. On 31 December 2007 the Company had two term deposits in the amount of LTL 3 729 thousand with the duration of 127 – 155 days and the annual interest rate 4,45 per cent. The Company had only term deposits with the duration term of more than 3 months, therefore they have been accounted for under other current assets caption.

5 Income tax

The income tax calculation during 2008 can be specified as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
	<u>Unaudited</u>	<u>Audited</u>
Income tax expenses		
Profit before taxation	33 040	11 165
Income tax expenses calculated according to tariff of income tax set up by the law	6 608	2 010
Permanent differences	2 297	512
Tax tariff change	-	31
Setoff with income tax on dividends	(50)	(8)
Adjustment of the income tax of previous year	(4 413)	(117)
Income tax expenses	<u>4 442</u>	<u>2 428</u>

6 Segment information

The activities of the Company are organized as one major segment – provision of oil and oil products storage and transshipment services.

7 Non-current tangible assets

Movements of the Company's non-current tangible assets during 2008 are specified as follows:

	Buildings and structures	Machinery and equipment	Construction in progress	Total
Cost on 1 January 2008	410 483	331 638	1 013	743 135
Additions during the period		2 310	3 279	5 589
Prepayments		- 303	1 872	1 569
Retirements	- 321	-1 046	-231	-1 598
Transfers	224	948	-1 172	0
Cost on 31 December 2008	410 386	333 547	4 760	748 694
Depreciation and impairment on 1 January 2008				
	128 102	187 543	0	315 645
Depreciation for the period	10 539	9 262	0	19 801
Depreciation of disposals	- 126	- 1 234	0	-1 360
Impairment during the period		935		935
Balance on 31 December 2008	138 515	196 506	0	335 021
Carrying amount on 31 December 2007	282 382	144 096	1 012	427 490
Carrying amount on 31 December 2008	271 871	137 041	4 760	413 673

The repayment of bank loans has been covered by the guarantee issued by the Ministry of Finance of the Republic of Lithuania. For the issued guarantee the Company has pledged to the Ministry of Finance of LR the property with the balance value in the amount of LTL 78 973 thousand as on 31 December 2008 (on 31 December 2007 – LTL 96 367 thousand).

Depreciation expenses for the year 2008 amounted to LTL 19 869 thousand (during the year 2007 – LTL 19 389 thousand).

The Company has invested PLZ 90 thousand (equivalent to LTL 75 thousand as on 31 December 2008) into a newly organized company named SARMATIA. Poland, Lithuania, the Ukraine, Georgia and Azerbaijan are seeking to realize an alternative project of the pipeline Odessa-Brody-Plock-Gdansk by which crude oil from the Caspian region will reach Europe. The Company has acquired 1 % of SARMATIA shares.

8 Inventories

	The year 2008	The year 2007
Spare parts, construction materials and other inventories	3 320	2 305
Oil products	2 056	1 554
	5 376	3 859
To subtract: impairment of the net value	(1 835)	(1 885)
	3 541	1 974

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

Oil products are heavy oil products collected in Waste Water Treatment Facilities. The oil products increased because the Company did not sell any collected heavy oil products during the years 2007 – 2008.

9 Borrowings

	<u>31 December 2008</u>	<u>31 December 2007</u>
	Unaudited	Audited
Non-current borrowings		
Non-current loan *	-	15 605
Short-term loans		
Current portion of non-current loan*	<u>15 605</u>	<u>15 605</u>
	<u>15 605</u>	<u>31 210</u>

* During the reporting period the Company repaid LTL 15 605 thousand of the loans. On 31 December 2008 the Company has no non-current loans. According to the loan terms the portion of the loan, amounted to LTL 15 605 thousand, the Company will repay by 31 July 2009.

During the reporting period the Company did not incur any new financial liabilities.

10 Commitments and contingencies

In the year 2006 Riverlake Energy (S) PTE LTD brought lawsuit against the Company for USD 1804 thousand (equivalent LTL 4 421 thousand on 31 December 2008) compensation of assumed expenses and agreement liabilities performance. During the years 2007 - 2008 the case was heard and a decision favourable to the Company was taken, but the plaintiff lodged an appeal against this decision to the Lithuanian appeal court.

On 9 February 2009 Klaipėda district court approved peace agreement concluded between the Company and Riverlake Energy (S) PTE LTD by which the plaintiff Riverlake Energy (S) PTE LTD waived its claim to the Company.

Since the year 2006 the Company had disputed with the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania regarding the real estate tax calculation for the period from 2000 till 2004 and a respective fine. With the acceptance of both sides the arguable amount was decreased from LTL 5 315 thousand to LTL 4 399 thousand due to the change in taxable values and due to the reduction of the period. On 22 September 2008 the Lithuanian Chief Administrative Court by its decision obligated to calculate additionally real property tax in the amount of LTL 3 999 thousand for the years 2000 – 2004 and to pay fine of LTL 399 thousand. Subject to the presented request the Company was exempted from payment of the fine of LTL 399 thousand (no loss was made to the budget because the Company had already paid real property tax of LTL 3 999 thousand before tax audit). Recalculation of the real property tax is accounted for in the year 2008.

11 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them as of 31 December 2008 as well as of 31 December 2007 were as follows:

- The Government of the Republic of Lithuania (the main shareholder of the Company);
- Company's Board's members;
- Company's management.

As of 31 December 2008 and as of 31 December 2007 the Company did not have any payables or receivables from the Government of the Republic of Lithuania and the Company's Board members. During the years 2007 and 2006 the Company has neither accounted nor paid any sums to the Company's Board members, except for dividends paid to the Government of LR, as described in Note 1. The State issued a guarantee for the Company's loans in the amount of LTL 15 605 thousand as on 31 December 2008 (LTL 31,210 thousand – on 31 December 2007).

Management remuneration and other payments

During the year of 2008 remuneration in the total amount of LTL 1 295 thousand were accounted for to the Company's management (in 2007 – LTL 1 224 thousand). During the years 2007 and 2008 the management of the Company did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.

12 Subsequent events

On 30 January 2009 the Company repaid the rest part of the loan in the amount of LTL 15 605 thousand to the banks (AB SEB Bankas, AB Hansabankas, AB DnB NORD Bankas) beforehand the terms set up by the Loan Agreement and has no liabilities to the banks regarding the received loans.