SC KLAIPEDOS NAFTA
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR 2011 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARTS,
AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)

Content | Pages

Statement of financial position

	Notes	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets		465	395
Property, plant and equipment		384.107	387.590
Other financial assets	9	5.352	8.124
Investment into associates		289	41
Total non-current assets		**390.213**	**396.150**
Current assets			
Inventories	6	1.674	4.098
Prepayments		223	192
Trade receivables	7	4.335	4.711
Other receivables	8	2.845	821
Other financial assets	9	112.230	38.433
Cash and cash equivalents	10	8.180	29.501
Total current assets		**129.487**	**77.756**
Total assets		**519.700**	**473.906**

(cont'd on the next page)

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

Statement of financial position (cont'd)

	Notes	31 December 2011	31 December 2010
EQUITY AND LIABILITIES			
Equity			
Share capital	1	342.000	342.000
Legal reserve	11	19.000	19.000
Other reserves	11	68.043	68.043
Retained earnings		71.694	25.973
Total equity		**500.737**	**455.016**
Non-current liabilities			
Deferred tax liabilities		7.174	8.345
Non-current employee benefits	12	785	926
Total non-current liabilities		**7.959**	**9.271**
Current liabilities			
Trade payables	13	4.671	4.569
Payroll related liabilities	14	2.559	2.558
Provision		1.272	1.279
Income tax payable		1.953	219
Prepayments received		49	84
Dividends payable		39	48
Other payable and current liabilities	15	461	862
Total current liabilities		**11.004**	**9.619**
Total equity and liabilities		**519.700**	**473.906**

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMaiil	24 February 2011
Finance Director	Mantas Bartuška		24 February 2011

Statement of comprehensive income

	Notes	2011 January - December (unaudited)	2011 October - December (unaudited)	2010 January - December (unaudited)	2010 October - December (unaudited)
Sales	16	141.276	33.213	123.032	33.801
Cost of sales	17	(82.705)	(20.687)	(77.765)	(22.843)
Gross profit		**58.571**	**12.526**	**45.267**	**10.958**
Operating expenses		(7.270)	(2.409)	(17.002)	(9.615)
Other operating income (expenses) – net result		43	28	39	7
Profit from operating activities		**51.344**	**10.145**	**28.304**	**1.350**
Income from financial activities		1.981	691	1.562	98
Expenses from financial activities		(33)	(20)	(34)	(106)
Share of the associate's comprehensive income		-	-	(81)	-
Profit (loss) before income tax		**53.292**	**10.816**	**29.751**	**1.342**
Income tax expense	18	(7.571)	(1.157)	(3.654)	599
Net profit (loss)		**45.721**	**9.659**	**26.097**	**1.941**
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses)/ profit (loss) attributed to the shareholders	19	**45.721**	**9.659**	**26.097**	**1.941**
Basic and diluted earnings (losses) per share, in LTL	19	0,13	0,03	0,08	0,01

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMail	24 February 2011
Finance Director	Mantas Bartuška		24 February 2011

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2009 (restated)		**342.000**	**15.670**	**50.170**	**37.479**	**445.319**
Net profit for the year		-	-	-	26.097	26.097
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	26.097	26.097
Dividends declared	20	-	-	-	(16.400)	(16.400)
Transfers between reserves		-	3.330	17.873	(21.203)	-
Balance as of 31 December 2010		**342.000**	**19.000**	**68.043**	**25.973**	**455.016**
Net profit for the year		-	-	-	45.721	45.721
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	45.721	45.721
Balance as of 31 December 2011		**342.000**	**19.000**	**68.043**	**71.694**	**500.737**

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMaiil	24 February 2011
Finance Director	Mantas Bartuška		24 February 2011

Cash flow statement

	Notes	2011	2010
Cash flows from operating activities			
Net profit	19	45.721	26.098
Adjustments for non cash items:			
Depreciation and amortisation	3,4	22.579	22.618
Impairment and write-off of property, plant and equipment		66	8.601
Accrued emission rights		403	1.205
Accrued income	16	(756)	634
Reserve of restructuring		(547)	546
Change in employee benefit liabilities		(141)	926
Change in allowance for doubtful receivables	9	(4)	(3)
Change in vacation reserve		6	111
Investment into associate accounted for equity method		-	81
Profit on sale of non-current assets		(26)	-
Other non-cash adjustments of expense (income)		12	(51)
Income tax expences		8.846	6.388
Interest income		(1.886)	(1.498)
		74.273	**65.656**
Changes in working capital:			
(Increase) decrease in inventories		1.916	(1.174)
Decrease (increase) in prepayments		(31)	303
Decrease (increase) in trade and other accounts receivable		376	957
Decrease (increase) in other current assets		4	(734)
Increase (decrease) in trade and other payables		(295)	2.243
Decrease (increase) in prepayments received		(15)	25
Increase (decrease) in other current liabilities and payroll related liabilities		(916)	23
		75.312	**67.299**
Income tax (paid)		(8.283)	(9.421)
Interest received		1.496	1.498
Net cash flows from operating activities		**69.124**	**59.376**
Cash flows from investing activities			
Acquisition of non-current assets		(19.186)	(12.803)
Acquisition of Investments held-to-maturity		(115.388)	(46.557)
Sales of investments held-to-maturity		44.363	4.744
Acquisition of other investments		(260)	(47)
Sale of non-current assets		625	-
Net cash flows from investing activities		**(89.846)**	**(54.663)**

(cont'd on the next page)

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

Cash flow statement (cont'd)

	Notes	2011	2010
Cash flows from financing activities			
Dividends payment	20	-	(16.400)
Net cash flows from financing activities		-	**(16.400)**
Net increase (decrease) in cash flows		**(21.321)**	**(11.687)**
Cash and cash equivalents on 1 January		**29.501**	**41.188**
Cash and cash equivalents on 31 December		**8.180**	**29.501**

The accompanying notes, set out on pages 8-30, are an integral part of these financial statements.

General Manager	Rokas Masiulis	RMail	24 February 2011
Finance Director	Mantas Bartuška		24 February 2011

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 transhipment services and other services 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 2011 all the shares were owned by 1.679 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 2011. The Company's shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

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

	31 December 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	34.204	10.00	32.766	9.58
Skandinavska Enskilda Banken funds	11.312	3.31	14.254	4.17
Swedbank funds	10.091	2.95	10.817	3.16
Other (less than 5 per cent each)	44.849	13.11	42.619	12.46
Total	342.000	100.00	342.000	100.00

On 6 September 2011 concern ACHEMA GROUP UAB acquired over 10% of the shares of SC Klaipėdos Nafta authorized capital.

The Extraordinary General Shareholders' Meeting held on 27 July 2011 did not approve profit appropriation for the business year of 2010 and did not allot dividends to the Shareholders for 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 "Current amounts payable and liabilities" as of 31 December 2011. As of 31 December 2011 the outstanding amount of dividends not paid during the previous financial year amounted to LTL 39 thousand (as of 31 December 2010: LTL 48 thousand).

The average number of employees in the year 2011 was 308 (306 - in 2010).

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.

2 Accounting principles (cont'd)

2.1. Basis for preparation of the financial statements

Statement of compliance

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).

2.2. Foreign currency

Functional currency

The amounts shown in these financial statements are measured and presented in local currency, Litas (LTL), which is the functional currency of the Company.

Since 2 February 2002, the Litas is pegged to the Euro at the rate of LTL 3.4528 = EUR 1.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under finance income or costs.

2.3. Segment reporting

A business segment is comprised of a group of property and operations performed while rendering a service having different risks and profitability in comparison with other business segments. Geographical segment of the services rendered consists of a certain economic environment where different risks and profitability are met if compared with other geographical segments. The Company operates in one business and geographical segment.

2.4. Investments into associates

The company accounts for investments into associates by the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method the investment in the associate is carried in the the Statement of Financial position at cost plus post acquisition changes in the Company's share of the associate's net assets. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of profit of an associate is shown on the face of the Statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "Result of an associate" in the Stament of Comprehensive income. Upon loss of significant influence over the associate the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of retaining investment and proceeds from disposal is recognised in the Statement of Comprehensive income.

2 Accounting principles (cont‘d)

2.5. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

2.6. Property, plant and equipment

Assets are attributed to property, plant and equipment if their useful life exceeds one year.

Property, plant and equipment of the Company are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and structures, specifically:	7 - 70
Fire-fighting station	40 - 51
Storage tanks 5.000 m3	15 - 21
Storage tanks 20.000 m3	43
Waste Water Treatment building	51
Reinforced concrete bridges	70
Rail gantry	55 - 65
Machinery and equipment, specifically:	3 - 40
Vapour combustion units; heat-exchangers	11 - 39
Marine loading arms	12
Other property plant and equipment, specifically	3 - 40
Technological pipelines	40 - 41
Control cables	12

The useful lives, residual values and depreciation method are reviewed periodically to ensure that the period of depreciation and other estimates are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and available for their intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the statement of comprehensive income. Gains and losses on disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the assets disposed.

2 Accounting principles (cont‘d)

2.7. Financial assets

Initial recognition and assessment
According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through the Statement of Comprehensive income, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. The Company establishes classification of financial assets at its initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus (in the case of investments not at fair value through the Statement of Comprehensive income) directly attributable transaction costs.

Financial assets of the Company include cash and short-term deposits, trade debts and other receivables, loans and other receivables, held-to-maturity investments.

Later assessment
Classification of financial assets according to later assessment depends upon:

Financial assets or financial liabilities at fair value through the Statement of Comprehensive income

Financial assets and financial liabilities classified in this category are designated by the Management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through the Statement of Comprehensive income are recorded in the statement of financial position at fair value. Related profit or loss on revaluation is charged directly to the statement of comprehensive income. Interest income and expense and dividends on such investments are recognised as interest income and dividend income or interest expenses, respectively.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

2 Accounting principles (cont‘d)

2.8. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.9. Employee benefits

Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits recognised are recognised at present value discounted using market rate.

Non-current benefit obligation is recognised at the present value of the benefits defined in the Statement of Financial position on its compilation date. The present value of defined benefit obligation is determined by discounting recognised future cash flows based on the interest rate of the Government’s securities, expressed in the same currency as the benefits with a repurchase period similar to that of the planned payment period. Acturial gains or losses are at once recognised through the Statement of Comprehensive Income.

2.10. Inventories

Inventories are stated at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow-moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories comprises purchase price, transport, and other costs directly attributable to the cost of inventories. Cost is determined by the first-in, first-out (FIFO) method. Unrealisable inventory shall be written-off.

2 Accounting principles (cont‘d)

2.11. Cash and cash equivalents

Cash includes cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, deposits held at call with banks, and other short-term highly liquid investments.

2.12. Borrowings

Borrowing costs in relation to loans for acquisition of property, plant and equipment are recognised as part of transaction costs and added to the acquisition cost of the asset accordingly.

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive income over the period of borrowings.

2.13. Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.

The Company as a lessee

Financial lease, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the Statement of Comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as expenses in the Statement of Comprehensive income on a straight line basis over the lease term.

The Company as a lessor

Lease where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease – the Company as a lessor

Assets leased under operating lease in the statement of financial position of the Company are accounted for depending on their nature. Income from operating lease is recognised as other income in the statement of comprehensive income within the lease period using the straight-line method. All the discounts provided to the operating lessee are recognised using straight-line method during the lease period by reducing the lease income. Initial direct expenses incurred in order to generate lease income are included in the carrying value of the leased asset.

2.14. Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the Statement of Financial position.

2 Accounting principles (cont‘d)

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The effective income tax rate applicable for the companies of the Republic of Lithuania in 2011 was 15 % (15 % - in 2010).

Tax losses can be carried forward for unlimited time, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments that can be carried forward for 5 consecutive years. The losses from disposal of securities and/or derivative financial instruments can only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the Statement of Financial position liability method. Deferred income taxes reflect the et tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the Statement of Financial position.

Deferred tax asset has been recognised in the Statement of Financial position to the extent the Management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.15. Dividends

Dividends are recorded in the financial statements at the moment they are declared by the Annual General Shareholders’ Meeting.

2.16. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shareholders changes without causing a change in the economical resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented. Since there are no instruments reducing earnings per share, there is no difference between the basic and diluted earnings per share.

2.17. Provisions

General

Provisions are recognised when the Company has a present legal or constructive obligation in respect of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Company expects the provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expenditures related to the provisions reconciled with recoverable provisions are recognised through the Statement of Comprehensive income.

Restructuring

A restructuring provision can only be recognised if it corresponds to all the criteria of the general provision. The Company shall follow a detailed and formal business plan or part of it, influenced by the location and number of employees, a detailed calculation of the related expenses and the time period required. The associated employees shall have a clear understanding about implementation of the plan of restructuring or that the process has already commenced.

Greenhouse gas (GHG) emissions
On initiative of United Nations Organisation, 55 countries concluded an agreement (Kyoto protocol) with a view to reduce the greenhouse gas emissions into the atmosphere by introducing financial incentives for reduction of environment pollution by greenhouse gases.

2 Accounting principles (cont'd)

The European Union has passed the European Parliament and Council directive 2003/87/EC which determines the trading system of emission rights for greenhouse gas emissions in the Community. According to the system, national governments of participating countries are responsible for allocation of a limited number of emission rights to local companies emitting greenhouse gases.

An emission certificate rights provides a right to emit certain relative amount of greenhouse gases (e.g. during 2005-2007 one emission rights provides a right to emit 1 tone of carbon dioxide (CO_2)). There is an active market for trading in emission rights (so called climate exchanges).

The emission rights are allocated free of charge in advance for periods covering several coming years. The first period is 2005 - 2007 and the next period is 2008 - 2012.

Companies participating in the scheme are obliged to report their actual pollution for each calendar year starting from 2005. When available allowances are not sufficient to cover actual pollution, then a penalty of EUR 100 per tone of carbon dioxide should be paid for the excess (applicable for the period 2008 - 2012).

The Company applies a 'net liability' approach in accounting for the emission rights received. It records the emission allowances granted to it at a nominal amount, as permitted by IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Liabilities for emissions are recognised only as emissions are made (i.e. provisions are never made on the basis of expected future emissions) and only when the reporting entity has made emissions in excess of the rights held. Costs of allowances are recorded under cost of sales caption in the Statement of Comprehensive income.

Allowances purchased from the third countries are accounted for by cost price method and are treated as recoverable rights according to which they are reconciled with EUA liability and revalued by fair value and the change in fair value is recorded in the Statement of income.

2.18. Revenue recognition

Revenues are recognized if it is expected that the Company will get economic benefit associated with a transaction and when the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenues from oil transshipment

The Company recognises revenues from oil transshipment taking into account the stage of services provided. The level of service provided is measured as percentage of transshipment cost expenses from the total cost of services. In the case reliable evaluation of the service agreement is impossible, the revenues are recognised only as a part of expenses incurred that can be compensated.

Sales of goods

Revenues from sales of goods are recognised upon delivery and transfer of risks of products and customer acceptance.

2.19. Expenses recognition

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

2.20. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each statement of financial position date.

2 Accounting principles (cont‘d)

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial asset not assessed at fair value in the profit or loss is revised at each reporting date in order to assess its impairment. The financial asset is impaired if there is an objective evidence of impairment as a result of a loss event that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the statement of comprehensive income as the impairment loss.

The Company revises at each reporting date carrying amounts of non-financial asset, excluding inventories and deferred income tax assets, in order to assess their impairment. If such indication exists the Company estimates the asset’s recoverable amount.

Recoverable amount of an asset or cash-generating unit is its value in use or costs to sell depending which is greater. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing the asset that cannot be assessed individually is grouped into the minimum asset’s group generating cash inflows during continuous use and that is independent from other asset or asset’s groups generating cash flows (cash generating unit or CGU).

Where the carrying amount of an asset exceeds its recoverable amount the impairment loss is recognised in the Statement of Comprehensive income. Impairment losses related to the value of CGU are proportionally attributed to decrease the carrying amount of the asset, prescribed to the unit (unit group).

Previously recognised impairment losses are reversed only if there is any indication that such losses no longer exist or have decreased. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised for the asset in prior years.

2.21. Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires the Management to make estimates and assumptions that affect the application of accounting principles and figures related to assets, liabilities, income and expenses. The estimates and assumptions are based on historic experience and other factors complying with existing conditions and based on the results of which a conclusion is being made regarding carrying amounts of assets and liabilities that could not be derived at from any other resources. Actual results can differ from calculations.

Estimates and assumptions are regularly revised and are based on historic experience as well as on other factors including future expectations which are believed to be based on the existing circumstances.

The Company prepares estimations and assumptions associated with the future. Therefore accounting assessments in relation to the determination rarely are adequate to the related actual results. The estimations and assumptions that can raise risks of material adjustment of carrying amounts of assets and liabilities in the next financial year are presented below.

Impairment losses of property, plant and equipment

The Company assesses at each reporting date the carrying amounts of non-current assets whether there is any indication that an asset may be impaired. If such an indication exists the Company estimates the asset's recoverable amount. For impairment testing the asset, that is cash-generating in the continuous use and is independent from other asset or asset's groups generating cash flows (cash generating unit or CGU), is grouped into the smallest group. The recoverable amount is calculated as one of the greater of two values: the value in use and net sales value. The value in use is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of the asset, that is not cash-generating, is assessed according to the recoverable amount of the cash-generating unit that owns this asset.

Impairment losses of receivables

The Company at least once per quarter revises receivables. For determination of necessity to report impairment in the Statement of Comprehensive income the Company assesses whether there is any indication of substantial decrease of future cash flows related to the receivables portfolio until impairment of the specific receivable in this portfolio will be estimated.

Information demonstrating negative change in loan repayment, economic conditions of the country or region, affecting the receivables of the Company can serve as evidence.

The Management estimates possible cash flows from debtors following its historic experience of losses, associated with risks of receivables or similar credit. Methods and assumptions applied for estimation of the amount and time of future cash flows are revised regularly for minimising differences between the calculated and actual amount of loss.

Useful lives of property, plant and equipment

Useful lives of assets are revised every year and if necessary are adjusted to reflect the present estimation of the rest useful life taking into account technological changes, economic use of the asset in the future and its physical condition.

2.22. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.23. Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.24. Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain International Financial Reporting Standard specifically requires such set-off.

3 Intangible assets

The depreciation charge of the Company's intangible assets for the year 2011 amounts to LTL 195 thousand (LTL 165 thousand – in 2010). LTL 192 thousand of depreciation charge have been included into cost of sales (LTL 164 thousand - in 2010) in the Company's Statement of Comprehensive income, the remaining amount has been included into operating expenses.

4 Property, plant and equipment

During the year 2011 the Company completed updating of: fuel oil unloading system of rail gantry track 2 (the total value of the object – LTL 4.606 thousand); LFO storage tanks (the total value of the object – LTL 1.369 thousand); automatic part of fire-fighting system (the total value of the object – LTL 2.352 thousand); metering system (the total value of the object – LTL 208 thousand) and started operation. The Company also finished repair works of its mechanical shop (the value of the repair – LTL 719 thousand). The total value of the works performed amounted to LTL 9.254 thousand.

On 10 June 2010 the Company has started 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 InternationalLuxembourg SARL" regarding procurement of the equipment. The equipment shall be delivered within nine months from the Contract date. At present engineering works are being performed simultaneously. The Company has already invested LTL 809 thousand into this project. The total amount of investments into the project "The Procurement of vapour recovery unit" will make about LTL 7 million.

On 30 June 2011 SC Klaipėdos Nafta signed an Agreement with the Lead Adviser for preparation and implementation of liquefied natural gas 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 to, 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 on 31 December 2011 the investments into implementation of LNG Terminal's project amounted to LTL 12.180 thousand – the major costs of which comprised advance payments of LTL 8.200 thousand according to the Agreement to be paid to the Lead Adviser for preparation and implementation of liquefied natural gas terminal's project as well as for legal and other research services.

About one fourth of the amount as defined in the Agreement for the four year term has already been transferred to the Consultant - the USA company FLUOR of LNG Terminal's project. Advance payments have been made for the tasks performed by the Adviser: selection of the parameters, business plan and strategy of LNG supply, financial and economic plan and project management, risk and safety study necessary for preparation of draft feasibility solutions and technical specification. Payments are being made subject to the performance of the tasks as provided for in the Agreement.

The depreciation charge of the Company's property, plant and equipment for the year 2011 amounts to LTL 22.384 thousand (LTL 20.195 thousand – in 2010). LTL 22.273 thousand of depreciation charge have been included into cost of sales (LTL 22.481 thousand – in 2010) in the Company's Statement of Comprehensive income, the remaining amount has been included into operating expenses.

In 2010 the Company revised its property, plant and equipment and accounted for the impairment of LTL 60 thousand for the assets that is no longer used due to the changed technological conditions.

5 Investments into asociates

On 19 December 2007 the Company acquired one (1) per cent shares in the international pipeline company SARMATIA and purchased 180 shares at a nominal value of PLZ 500 each. In 2010 during the increasing of the authorized capital of SARMATIA the Company additionally purchased 100 shares with the par value of PLZ 500 each. The Company is entitled to appoint one member to the management of SARMATIA, thus it can make a significant influence. Therefore this investment was recorded using the equity method. SARMATIA is a private company not listed on the market.

5 Investments into asociates (cont‘d)

On 20 April 2011 the Company acquired 33 per cent of BALTPOOL UAB shares. The Company purchased newly issued 156 627 (one hundred fifty-six thousand six hundred and twenty-seven) ordinary registered shares of LTL 1 (one) par value each. The total price of the new share issue as evaluated by independent appraisers was equal to LTL 260 001 (two hundred sixty thousand and one). At present SC Klaipedos Nafta owns 33 per cent of BALTPOOL UAB shares and their voting rights at the General Shareholders‘ Meeting of BALTPOOL UAB.

6 Inventories

	As of 31 December 2011	As of 31 December 2010
Spare parts, construction materials and other inventories	6.150	6.288
Oil products for sale	1.503	3.782
	7.653	10.070
Less: allowance for inventories	(5.979)	(5.972)
	1.674	**4.098**

As of 31 December 2011 the Company had inventories for the amount of LTL 5.979 thousand (LTL 5.972 thousand in 2010), 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 31 December 2011 the Company stored 1.945 tons of heavy oil products collected in its Waste Water Treatment Facilities (31 December 2010 – 4.300 tons).

As of 31 December 2011 the Company stored 143,8 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 December 2011 and 2010 is included under operating costs in the Statement of comprehensive income.

7 Trade receivables

	As of 31 December 2011	As of 31 December 2010
Receivables for reloading of oil products and other related services (net realizable value)	4.335	4.711
	4.335	**4.711**

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

On 31 December 2011 trade debts to the Company in the amount of LTL 1.926 thousand were denominated into EURO (LTL 9 thousand in 2010).

7 Trade receivalbes (cont'd)

Movements in allowance for trade receivables were as follows:

	Individually impaired
Balance as of 31 December 2007	299
Charge for the year	94
Balance as of 31 December 2008	393
Charge for the year	(393)
Balance as of 31 December 2009	-
Balance as of 31 December 2010	-
Balance as of 31 December 2011	-

No individual allowance was made in 2011 and in 2010.

Trade and other accounts receivable are written off when the management is certain that the amount will not be recovered.

The age analysis of trade and other receivables as of 31 December 2011 and 2010 is as follows:

	Trade and other receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 59 days	60 – 89 days	90 – 359 days	More than 360 days	
2011	4.223	73	-	-	39	-	4.335
2010	4.710	-	1	-	-	-	4.711
2009	4.920	-	-	6	29	-	4.955

Credit quality of financial assets neither past due nor impaired

With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognised, creditworthy third parties.

8 Other receivables

	As of 31 December 2011	As of 31 December 2010
Accrued income	1.388	633
VAT receivable	715	76
Accumulated interest	409	-
Real estate tax receivable	280	-
Other taxes receivable	-	54
Other receivables	66	71
	2.858	834
Less: allowance for receivables	(13)	(13)
	2.845	**821**

Change in allowance for receivables for the years 2011 and 2010 has been included into operating expenses in the Statement of Comprehensive income.

9 Other financial assets

	As of 31 December 2011	As of 31 December 2010
Loans and receivables		
Transferred obligation in Vnesekonom bank	100	100
Loan to UAB „Žavesys“	361	365
Less: allowance for receivables	(461)	(465)
Total loans and receivables	**-**	**-**
Investments held- to-maturity		
Short-term deposits	44.174	21.872
Investments into the state securities of Lithuania	61.717	17.391
Investments into the securities of foreign countries	1.803	1.870
Investments into the securities of Lithuanian bank	4.476	5.424
Investments into the securities of foreign bank	5.412	-
Total investments held-to-maturity	**117.582**	**46.557**
Total other financial assets	**117.582**	**46.557**
Current part	**112.230**	**38.433**
Non-current part	**5.352**	**8.124**

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

Currency	As of 31 December 2011	As of 31 December 2010
EUR	40.334	6.628
LTL	77.248	39.929
	117.582	**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 for the years 2011 and 2010 has been included into operating expenses in the Statement of Comprehensive income.

On 23 July 2010 the Board of the Company approved new policies of free funds investments of the Company aimed at investment transactions with reliable (long-term borrowing rating according to Fitch A-) banking instruments not only in Lithuania but also abroad. The investment policies give priority to investments in Lithuania and only if there is no other alternative - in foreign countries. Investment possibility into the securities of the Lithuanian Government has also been provided for. Following its investment policies the Company has acquired the securities of the Lithuanian Government for the amount of LTL 5.352 thousand (LTL 4.476 thousand – in 2010), the securities of Lithuanian, the payoff maturity term of which is longer than one financial year, therefore the securities were attributed to the non-current financial assets.

As of 31 December 2011 the Company had term deposits of LTL 44.174 thousand (LTL 21.872 thousand – in 2010) with the average maturity of 256 days (198 days – in 2010) and an annual average interest rate of 2,04 % (1,8 % - in 2010). On 31 December 2011 the Company had securities of the state of Lithuanian and foreign countries in the amount of LTL 63.520 thousand with the average maturity of 381 days and an average interest rate of 2,67 %. The Company had the bank bond in the amount of LTL 9.888 thousand with the average redemption term of 367 days and average interest rate of 3,44 %.

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.

10 Cash and cash equivalents

	As of 31 December 2011	As of 31 December 2010
Cash at bank	5.136	4.067
Sort-term deposits	3.044	14.453
Securities of foreign countries	-	7.277
Securities of Lithuanian banks	-	2.149
Investment units of money market	-	1.555
Cash in hand	-	-
	8.180	**29.501**

Cash in bank earns variable interest depending on the closing balance of every day. As of 31 December 2011 the Company had term deposits of LTL 3.044 thousand (LTL 14.453 thousand – in 2010) with the average maturity of 38 days (90 days – in 2010) and an average interest rate of 1,00 % (1,35 % - in 2010). The Company had not investments into the securities of the banks and foreign countries and into investment units of money market.

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

Currency	As of 31 December 2011	As of 31 December 2010
EUR	4.187	1.774
LTL	3.993	27.727
	8.180	**29.501**

The quality of cash and cash equivalents as well as investments held to maturity can be assessed using Fitch long - term borrowing ratings:

	As of 31 December 2011	As of 31 December 2010
AA -	17.462	13.872
A +	40.305	14.424
A	-	21.210
A -	1.803	9.147
BBB +	54.511	-
BBB	11.682	17.391
BB	-	3
B	-	11
Kita	-	-
	125.763	**76.058**

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.

11 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. Whereas, Taking into account that the Extraordinary General Shareholders‘ Meeting held on 27 July 2011 did not approve profit appropriation for the year 2010 the transfer to legal reserves was not made.

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.

12 Employee benefit liabilities

On 31 December 2011 the expenses related to the payment of termination benefits to the employees terminating the employment on the normal retirement date made LTL 785 thousand (LTL 926 thousand – in 2010).

The main preconditions applied to assess long-term employee benefit liability are presented below:

	As of 31 December 2011	As of 31 December 2010
Discount rate	5,75 %	5,15 %
Staff turnover rate	5 %	5 %
Annual increase in salaries	3 %	3 %

13 Trade and other payables

	As of 31 December 2011	As of 31 December 2010
Payable for railway services	336	1.425
Payable to contractors	1.204	423
Payable for rent of land	514	587
Other trade payables	2.617	2.134
	4.671	**4.569**

Trade payables are non-interest bearing and are normally settled on 30-day terms. On 31 December 2011 trade payables to the Company in the amount of LTL 610 thousand were denominated into euro (LTL 5 thousand - in 2009).

As of 31 December 2011 there was a significant fall in trade payables to the provider of railway services due to decreased expenses of railway services at the end of year influenced by favourable ambient conditions for transshipment.

As on 31 December 2011 the Company's indebtedness to its contractors significantly increased due to the equipment delivery for the investment project "Procurement of vapour recovery unit" under execution.

14 Liabilities related to labour relations

As of 31 December 2011 the Company's liabilities, related to labour relations, were basically comprised of vacation reserve of LTL 1.317 thousand and accumulation of bonus in the amount of LTL 1.200 thousand for the annual results (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).

15 Other current liabilities

	As of 31 December 2011	As of 31 December 2010
Tax on real estate payable	-	649
Accrued expenses	437	181
Other	24	32
	461	**862**

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

16 Sales income

	2011	2010
Sales of oil transshipment services	126.266	118.975
Sales of heavy oil products collected in the Waste Water Treatment Facilities	5.699	-
Revenues for storage of oil products	5.957	-
Other sales related to transshipment	3.354	4.057
	141.276	**123.032**

The Company's income increased due to the greater transshipment tariffs after refusal of the services of Intermediaries, LTL 5.957 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.

17 Cost of sales

	2011	2010
Depreciation and amortisation	22.273	22.481
Gas	18.027	15.502
Wages, salaries and social security	17.365	16.625
Railway services	7.465	7.495
Electricity	5.478	5.143
Cost of sold inventories	3.025	43
Rent of land and quays	2.056	2.350
Repair and maintenance of non-current assets	1.758	1.410
Tax on real estate	1.183	2.564
Emission rights expenses	876	1.205
Insurance of assets	942	779
Other	1.687	2.168
	82.705	**77.765**

The cost of sales was raised by constant increase throughout the year in price of energy resources – gas, electricity – as well as the increased expenses related to the salaries and reported costs of the sold oil products collected in the Waste Water Treatment Facilities of the Company.

17 Cost of sales (cont'd)

The expenses related to the salaries increased due to the payment of termination benefits, provided for in the Collective Agreement valid in the Company, in the amount of LTL 655 thousand to the employees terminating the employment on the normal retirement date.

18 Income tax

	2011	2010
Components of the income tax expense (income)		
Income tax of the year	8.846	6.388
Income tax adjustment of the previous year	(106)	(296)
Current year income tax expense	8.740	6.092
Deferred tax expense	(1.171)	(2.438)
Income tax expense charged to the Statement of Comprehensive income	**7.571**	**3.654**

19 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:

	2011	2010
Net profit attributable to shareholders	45.721	26.097
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,13	0,08

20 Dividends

	2011	2010
Dividends declared	-	(16.400)
Weighted average number of shares (thousand)	342.000	342.000
Dividends declared per share (expressed in LTL per share)	-	0,048

The Extraordinary General Shareholders' Meeting held on 27 July 2011 did not approve profit appropriation for the year 2010 and did not allot dividends to the Shareholders for 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 "Current amounts payable and liabilities" as of 31 December 2011. As of 31 December 2011 the outstanding amount of dividends not paid during the previous financial year amounted to LTL 39 thousand (as of 31 December 2010: LTL 48 thousand).

21 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.

21 Contingencies (cont'd)

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.

22 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 2011, 2010 and 2009 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	2011	9.759	-	-	1.775
	2010	8.908	-	130	1.080
	2009	9.072	-	842	2.259
State Social Insurance Fund Board under the Ministry of Social Security and Labour	2011	4.762	-	-	11
	2010	5.334	-	-	-
	2009	4.937	-	-	-
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	2011	2.056	-	-	514
	2010	2.350	-	-	587
	2009	2.350	-	-	-
AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	2011	8.396			336
	2010	7.845	-	-	1.425
	2009	5.382	-	-	539
AB „Lesto“, owned by the State of Lithuania represented by the Ministry of Energy	2011	2.419	-	-	296
	2010	5.159	-	-	343
	2009	3.773	-	-	-
Other related parties	2011	-	28	3	-
	2010	147	5	35	-
	2009	106	10	47	-
Transactions with related parties, in total:	**2011**	**27.392**	**28**	**3**	**2.932**
	2010	**29.743**	**5**	**165**	**3.435**
	2009	**25.620**	**10**	**889**	**2.798**

22 Related party transactions (cont'd)

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 2011	As of 31 December 2010
Labour related disbursements	1.704	1.928
Number of managers	6	7

During twelve 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.

23 Subsequent events

On January 23, 2012, during implementation of international tender of AB Klaipėdos Nafta (hereinafter – the Company) „Procurement Of Liquefied Natural Gas Floating Storage And Regasification Unit (FSRU)" three Tenderers submitted their tender offers. With reference to the public procurement procedures the tender offers were evaluated and the row of tender offers was formed. The proposal of Norwegian company's „Höegh LNG" was selected as the most economically advantageous.

On January 23, 2012, the Company submitted an invitation to conclude public procurement contract with company „Höegh LNG". The contract between the Company and „Höegh LNG" regarding procurement of liquefied natural gas floating storage and regasification unit shall enter into force in full scope only if general meeting of shareholders of tha Company approves it. At present the Contract is in the process of negotiating.

On February 7, 2012, the Government of the Republic of Lithuania passed a resolution "Regarding Approval of the 2008-2012 Implementation Plan of the National Energy Strategy" (hereinafter – Plan) whereby the project of liquefied natural gas terminal was included in the 2008-2012 Implementation Plan of the National Energy Strategy.

In the Implementation Plan of the National Energy Strategy it is provided that the Company shall develop LNG import terminal by end of 2014. LNG terminal shall comprise of floating storage and regasification technology, onshore equipment of terminal and connection with transmission system of natural gas and/or technological equipment. Also in the Plan preliminary budget of the Company for the implementation of the project of LNG terminal is LTL 532 milion (precise budget shall be prepared following conclusion of contracts with main contractors). It is not intended to use funds of the national budget. It is foreseen that in accordance with articles of association of the Company approval of the general meeting of the shareholders shall be needed for the conclusion of contracts with the main contractors of LNG terminal project.

In the Implementation Plan of the National Energy Strategy it is provided that State Company "Klaipėdos valstybinio jūrų uosto direkcija", which is controlled by the Ministry of Transport shall develop existing and new infrastructure of Port of Klaipėda and perform other development works of the port, which are needed for the implementation of LNG import terminal project developed by the Company. Preliminary budget of State Company "Klaipėdos valstybinio jūrų uosto direkcija" is LTL 150 million. It is not intended to use funds of the national budget.

On 15 February 2012, the Government of the Republic of Lithuania approved a draft resolution to invest the property valued at LTL 45.49 million into the Company by increasing the authorised capital of the company.

The Government of the Republic of Lithuania – as the owner of 70.63 % of the ordinary registered shares of the Company intends to invest into the said Company the property in trust of PE Lithuanian Oil Product Agency – Subacius Oil Products Terminal – by increasing the authorised capital of the Company by an additional contribution, provided that the Company will assume an obligation to lease a part of the property to PE Lithuanian Oil Product Agency as necessary for accumulation and management of oil products and state oil reserves in accordance with the requirements of legislative acts for the term of at least 10 years.

23 Subsequent events (cont'd)

The authorized capital would be increased by additional contributions by issuing new ordinary registered shares with the par value of LTL 1 (one litas) each.

The Company will suggest the shareholders of the Company adopting decisions ensuring that all Company's shareholders would have an opportunity to take part in the increase of the authorized capital of the Company and to maintain the share held in the authorized capital of the Company.

On 15 February 2012 the Government of the Republic of Lithuania passed a resolution "Regarding establishment of the liquedated natural gas (LNG) terminal" whereby it is approved that the Company would continue the implementation of the LNG terminal project and the following:

- The Ministry of Energy of the Republic of Lithuania is assigned to initiate the general meeting of shareholders of the Company regarding the amendment of the Articles of the Association of the Company, proposing to stipulate in the Articles of the Association of the company that one of the purposes of the Company activities would be the establishment of the LNG terminal and its preparation for operation, ensuring economical and rational operation of the LNG terminal and/or its later transfer to the natural gas transmission system operator controlled by the Republic of Lithuania.

- State Enterprise Klaipėda State Seaport Authority is obliged to develop the current and to establish a new infrastructure of the Klaipėda State Seaport and in this way to create a background for the establishment and commencement of operation of the LNG terminal by 3 December 2014 and to transfer such infrastructure or to grant the right to use it to the Company.

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 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