

AB KLAIPĖDOS NAFTA

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

■ Ernst & Young Baltic UAB
Subačiaus g. 7
P.l. 2849
LT-01008 Vilnius Lietuva
Tel. (8 5) 274 22 00
Faks. (8 5) 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Juridinio asmens kodas 110878442
PVM mokesčio kodas LT108784411
Registras - Juridiniu asmeniu registras

■ Ernst & Young Baltic UAB
Subačiaus 7
P.O. Box 2849
LT-01008 Vilnius Lithuania
Tel. + 370 5 274 22 00
Fax + 370 5 274 23 33
Vilnius@lt.ey.com
www.ey.com/lt

Code of legal person 110878442
VAT payer code LT108784411
Register of Legal Persons

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF AB KLAIPĖDOS NAFTA

We have reviewed the accompanying interim condensed financial statements of AB Klaipėdos Nafta (hereinafter "the Company") as at 31 March 2007, comprising of the interim balance sheet as at 31 March 2007 and the related interim statements of income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

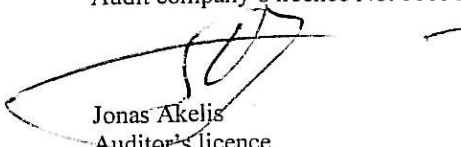
As described in Note 5 to the accompanying interim condensed financial statements, the Company did not account for an income tax for the three-month period ended on 31 March 2006 as the common practice of the Company was to calculate the income tax on an annual basis. Therefore, income tax expenses for the three-month period of 2006 are not presented in the interim income statement for the three-month period ended 31 March 2006.

Based on our review, except for the effect of the above described issue, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material aspects, in accordance with IAS 34.

Without further qualifying our review report, we would like to draw your attention to the fact that the Company is involved in a tax dispute with the State Tax Inspection regarding the calculation of the real estate tax for the years 2000-2004, as described in Note 10 in more detail. Significant uncertainty exists regarding the possible resolution of the tax dispute, which may have a significant impact on the evaluation of the receivable from the state budget amount of LTL 5,315 thousand that is accounted for under the other short term assets caption in the interim balance sheet.

Further, Riverlake Energy (S) PTE LTD brought a civil law suit against the Company for the breach of contractual obligations whereby and the plaintiff claims USD 1,804 thousand, as described in Note 10 in more detail. Presently the case is being heard by Klaipėda District Court. Significant uncertainty exists regarding the possible outcome of the litigation and potential losses for the Company. No provision related to the claim was accounted for in the interim condensed financial statements.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 000514




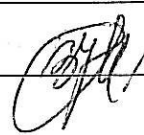
Jonas Akelis
Auditor's licence
No. 000003

The review was completed on 11 May 2007.

Interim income statement

	Notes	For the three months ended 31 March	
		2007	2006
		Unaudited	
Sales		23,084	21,480
Cost of sales	3	(16,171)	(11,678)
Gross profit		6,913	9,802
Operating expenses	3	(3,272)	(1,671)
Operating profit		3,641	8,131
Other operating income (expenses), net		2	4
Income from financial and investment activities		53	121
Expenses from financial and investment activities		(560)	(614)
Profit before tax		3,136	7,642
Income tax	5	(653)	-
Net profit		2,483	7,642

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		11 May 2007
Chief Accountant	Johana Bučienė		11 May 2007

Interim balance sheet


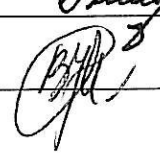
	Notes	31 March 2007 Unaudited	31 December 2006 Audited
ASSETS			
Non-current assets			
Intangible assets		133	148
Property, plant and equipment	7	437,118	441,405
Non-current financial assets		-	266
Total non-current assets		437,251	441,819
Current assets			
Inventories	8	1,794	1,277
Trade and other receivables		3,042	3,656
Prepaid income tax		668	417
Other current assets		6,459	5,853
Cash and cash equivalents	4	9,791	4,810
Total current assets		21,754	16,013
Total assets		459,005	457,832

(cont'd on the next page)

Interim balance sheet (cont'd)

	Notes	31 March	31 December
		2007	2006
		Unaudited	Audited
EQUITY AND LIABILITIES			
Equity			
Share capital		342,000	342,000
Legal reserve		13,140	13,140
Other reserves		29,187	29,187
Retained earnings		15,290	12,807
Total equity		399,617	397,134
Non-current liabilities			
Non-current loans	9	23,408	31,211
Deferred tax liability	5	12,048	12,330
Total non-current liabilities		35,456	43,541
Current liabilities			
Current portion of non-current loans	9	15,387	12,825
Dividends payable		53	60
Trade and other payables		4,532	1,652
Payroll related liabilities		3,317	1,570
Other current liabilities		643	1,050
Total current liabilities		23,932	17,157
Total equity and liabilities		459,005	457,832

The accompanying notes are an integral part of these financial statements.

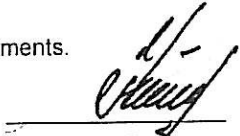

General Director	Jurgis Aušra		11 May 2007
Chief Accountant	Johana Bučienė		11 May 2007

Interim statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 31 December 2005		342,000	12,140	28,198	10,071	392,409
Net profit for the period		-	-	-	7,642	7,642
At 31 March 2006 (unaudited)		342,000	12,140	28,198	17,713	400,051

	Notes	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		-	-	-	2,483	2,483
At 31 March 2007 (unaudited)		342,000	13,140	29,187	15,290	399,617

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		11 May 2007
Chief Accountant	Johana Bučienė		11 May 2007

Interim cash flow statement

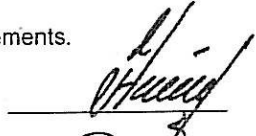

	Note	For the three months ended 31 March	
		2007	2006
		Unaudited	
Cash flows from (to) operating activities			
Net profit		2,483	7,642
Adjustments for non-cash items:			
Depreciation and amortisation		4,828	4,640
(Reversal) of impairment of property, plant and equipment		(140)	-
Allowance for and write-offs of accounts receivable		57	-
Allowance for and write-off of inventories		234	229
Elimination of financial and investment activity results		507	589
Income tax expenses		653	-
		<u>8,622</u>	<u>13,100</u>
Changes in working capital:			
(Increase) in inventories		(751)	(310)
Decrease in trade and other receivables		557	497
(Decrease) increase in other current assets		(304)	2,039
Increase in trade and other payables		2,880	338
Income tax paid		(1,186)	(1,069)
Increase (decrease) in other payables and current liabilities		1,363	(796)
Net cash flows from operating activities		<u>11,181</u>	<u>13,799</u>
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)		(449)	(4,566)
Proceeds from sale of non-current assets (except investments)		4	113
Interest received		46	86
Net cash flows (to) investing activities		<u>(399)</u>	<u>(4,367)</u>

(cont'd on the next page)

Interim cash flow statement (cont'd)

	For the three months ended 31 March	
	2007	2006
	Unaudited	
Cash flows from (to) financing activities		
Interest (paid)	(552)	(666)
Financial lease (payments)	(1,113)	(1,113)
Dividends (paid)	(7)	-
(Repayment) of borrowings	(4,127)	(6,912)
Net cash flows from (to) financial activities	(5,799)	(8,691)
Net increase in cash and cash equivalents	4,981	741
Cash and cash equivalents at the beginning of the period	4,810	11,667
Cash and cash equivalents at the end of the period	9,791	12,408

The accompanying notes are an integral part of these financial statements.

General Director	Jurgis Aušra		11 May 2007
Chief Accountant	Johana Bučienė		11 May 2007

Notes to the interim condensed financial statements

1 General information

AB Klaipėdos Nafta (hereinafter "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 provides storage and transshipment of oil and oil products services. The Company was registered on 27 September 1994. The Company's shares are listed in the Main List on the Vilnius Stock Exchange.

As at 31 March 2007 and 31 December 2006 the shareholders of the Company were:

	31 March 2007		31 December 2006	
	Number of shares held (thousand)	Percentage	Number of shares held (thousand)	Percentage
Government of the Republic of Lithuania represented by Ministry of the Economy	241,544	70.6%	241,544	70.6%
Hansabank funds	26,420	7.7%	26,420	7.7%
Skandinaviska Enskilda Banken funds	11,234	3.3%	11,234	3.3%
Other (less than 5% each)	62,802	18.4%	62,802	18.4%
Total	342,000	100.00%	342,000	100.00%

All the shares of the Company are ordinary shares with a par value of LTL 1 each and were fully paid as of 31 March 2007 and 31 December 2006. The share capital did not change in the first quarter of 2007 and 2006. The Company did not hold its own shares in the first quarter of 2007 and 2006.

As of 31 March 2007 the number of employees of the Company was 299 (as of 31 December 2006 - 303).

The Company's management authorized these interim condensed financial statements on 11 May 2007. The shareholders of the Company have a statutory right either to approve the financial statements or not approve them and require the management to prepare a new set of the amended financial statements.

2 Accounting principles

The interim condensed financial statements for the three – month period ended 31 March 2007 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed 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 2006.

2.1. Basis of preparation of the financial statements

The accounting policies adopted in preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2006, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 requires disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.

2 Accounting principles (cont'd)

2.1. Basis of preparation of the financial statements (cont'd)

- Amendments to IAS 1 ("Capital Disclosures") (effective for annual periods beginning on or after 1 January 2007). This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes of managing capital.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation establishes that entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IFRS and IFRIC Interpretations that have been issued but are not yet effective

The Company has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

- *IFRS 8 Operating Segments* (effective once adopted by the European Union, but not earlier than for annual periods beginning on or after 1 January 2009). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.
- Amendments to IAS 23 Borrowing Costs (effective once adopted by the EU but not earlier than for annual periods beginning 1 January 2009, earlier application permitted). Revised IAS 23 requires that all borrowing costs must be capitalized to the extent they are directly attributable to the acquisition, construction or production of a qualifying asset. The choice to immediately recognize such costs as an expense is eliminated.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application. The Company is still estimating the impact of adoption of these pronouncements on the disclosures of the financial statements.

2.2. Comparative figures

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

3 Cost of sales and operating expenses

The Company's cost of sales has mainly increased over the reporting period due to the increased railway transport services expenses, which for the first quarter of 2007 amounted to LTL 4,156 thousand (for the first quarter of 2006 – LTL 522 thousand) and increased natural gas expenses, which for the first quarter of 2007 amounted to LTL 3,325 thousand (for the first quarter of 2006 - LTL 3,325 thousand). The increase of railway transport services expenses was caused by inauspicious air conditions in January and February, when the Company was unable to perform loading services and subsequently the provider of the railway services invoiced the Company for demurrage of wagonloads. Natural gas expenses increased due to increased natural gas cost by 26% and increased natural gas consumption in operations by 73%.

The increase in operating expenses occurred mainly due to LTL 1,300 thousand accrual for bonuses for the results of year 2006 and LTL 404 thousand accrual for the employee's bonuses for the results of the first quarter of year 2007.

AB KLAIPĖDOS NAFTA, company code 110648893, Burių Str. 19, Klaipėda
 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007
 (all amounts are in LTL thousand unless otherwise stated)

4 Cash and cash equivalents

	31 March 2007	31 December 2006
	<u>Unaudited</u>	<u>Audited</u>
Cash at bank	4,379	2,062
Cash in hand	60	194
Deposits with a maturity of less than three months	5,352	2,554
	<u>9,791</u>	<u>4,810</u>

The Company's cash in local and foreign currency accounts at AB SEB Vilniaus Bankas are pledged as collateral for the credit agreement.

5 Income tax

Components of the income tax expense (income)

	<u>31 March 2007</u>
	<u>Unaudited</u>
Current income tax	
Current income tax charge	935
Deferred income tax	
Change in deferred income tax	(282)
Income tax expenses (income) recorded in the income statement	<u>653</u>

The Company has not accounted for the profit tax for the first quarter of the year 2006 and has not estimated the change in the deferred income tax.

6 Segment information

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

7 Property, plant and equipment

During the three-month period ended 31 March 2007, the Company has acquired tangible assets with a cost of LTL 446 thousand (during 2006 - LTL 11,117 thousand).

During the reporting period the Company did not have any material write-offs and disposals.

In 2003 the Company has accounted for an impairment in the amount of LTL 244 thousand for the unused tangible assets. During the first quarter of 2007 the Company has reversed part of the impairment amounting to LTL 140 thousand. The reversal of the impairment was accounted for tangible assets, which were started to be used, were disposed or written off.

8 Inventories

During the thirist quarter of 2007 the Company has written off inventories with an acquisition cost of LTL 234 thousand, which were started to be used or which can no longer be used. Write-off expenses amounting to LTL 215 thousand were accounted for under cost of sales caption. The remaining part of write-off expenses was accounted for under operating expenses caption.

9 Borrowings

	31 March 2007	31 December 2006
	Unaudited	Audited
Non-current borrowings		
Non-current loan *	23,408	31,211
Current portion of non-current borrowings		
Current portion of non-current loan*	8,598	1,589
Current portion of financial lease**	3,456	4,570
Current portion of syndicated loan***	3,333	6,666
	<u>15,387</u>	<u>12,825</u>
	<u>38,795</u>	<u>44,036</u>

* During the reporting period the Company has repaid LTL 794 thousand of the credit to AB SEB Vilniaus Bankas, AB Bankas Hansabankas and AB DnB NORD Bankas. As of 31 March 2007 non-current portion of the credit amounted to LTL 23,408 thousand and the current portion of the credit amounted to LTL 8,598 thousand. The fulfillment of the credit liabilities is secured by the warranty of the Government of the Republic of Lithuania.

** During the reporting period the Company has paid LTL 1,113 thousand of the financial lease payments to UAB Hanza Lizingas. As of 31 March 2007 the financial lease payable amounted to LTL 3,456 thousand. The maturity date of the financial lease is 30 December 2007.

*** During the three-month period ended 31 March 2007, the Company has repaid LTL 3,333 thousand of the syndicated loan. As of 31 March 2007 the remaining unpaid part of the loan amounted to LTL 3,333 thousand. According to the agreement, its amendments and the Company's advance repayments of the credit the remaining part of the credit should be repaid to the bank till 25 September 2007. The fulfillment of the credit liability is secured by the pledged tangible assets and cash at AB SEB Vilniaus Bankas.

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

10 Commitments and contingencies

In the financial statements for the year 2006 Riverlake Energy (S) PTE LTD lawsuit against the Company for USD 1,804 thousand compensation of assumed expenses and agreement liabilities performance was disclosed. During the first quarter of 2007 no decision related to this lawsuit was made.

In the financial statements for the year 2006 there was also disclosed the Company's claim to the Tax Inspection of the Ministry of Finance of the Republic of Lithuania. The claim is related to the real estate tax for the period starting from 2000 till 2004 and a fine. During the first quarter of 2007 no decision related to this claim was made.

The Company's management expects that both above mentioned issues will be solved in favor of the Company.

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 transaction with them as of 31 March 2007 as well as of 31 March 2006 were as follows:

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

As of 31 March 2007 as well as of 31 March 2006 the Company did not have any payables or receivables from the Government of the Republic of Lithuania and the Board's members. During the three-month period ended 31 March 2007 and 31 March 2006 there were no transactions between the Company, the Government of the Republic of Lithuania and the Board's members.

Management salary and other payments

Company's management consists of General Director, Production Director, Director for Technology, Commercial Director and Chief Accountant. During the three-month period ended 31 March 2007 the Company's management remuneration amounted to LTL 207 thousand (during the first quarter of 2006 - LTL 248 thousand). Moreover, as of 31 March 2007 the Company has accounted for the accrual for management bonuses amounting to LTL 164 thousand for year 2006 Company's activity results and LTL 48 thousand accrual for management bonuses to be paid for the first quarter of 2007 result. During the first quarter of 2007 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 19 April 2007 the Company's Shareholders' meeting during the distributions of the Company's profit for the year 2006 has approved the dividends of LTL 6,123 thousand for the year 2006.

There were no other significant subsequent events in the Company.