

Baltic Oil Terminals PLC

Interim Report 2006

Period from 1 January 2006 – 30 June 2006

Baltic Oil Terminals PLC

Contents

Non Executive Chairman's & Chief Executive's Statement	3
Financial review	5
Consolidated interim income statement	6
Consolidated interim balance sheet	7
Consolidated interim cash flow statement	8
Consolidated interim statement of changes in equity	9
Notes to the interim financial statements	10
Independent review report	14
Corporate information	15

Baltic Oil Terminals PLC

Non Executive Chairman's & Chief Executive's Statement

The year to date, in which we have taken several major steps towards achieving the overall business objectives, has been a very significant period in the evolution of the company. Most importantly, we are pleased to present our first set of results as a quoted company.

On 27 April 2006 the company successfully listed on AIM, raising £23.0 million by means of an issue of 16,428,571 new shares at £1.40. RAB Capital simultaneously sold 6 million shares at the same price, allowing the total placing of 22,428,571 shares. Prior to this the Company had successfully raised £2.3 million in a private placement in March 2006.

The Board of Baltic Oil Terminals is fully cognisant of the trust placed in it by the new investors and will strive to the maximum to ensure that the programme outlined in the Admission Document is adhered to.

On 10 June 2006 Baltic moved its finance and administration functions to Milton Keynes and reduced the size of the London office.

In line with the strategy set out in the Admission Document, Baltic acquired, on 3 August 2006, Baltic Top, a small profitable, domestic refined products terminal in Kaliningrad for a total cash consideration of \$3.35 million. The terminal, which is located less than 2 kms from the Tetoil site, stores gasoline and diesel delivered by rail for storage and onward delivery to customers in the Kaliningrad region.

On 7 August 2006 the Board was strengthened by the appointment of two new Non Executive Directors: Stan Buck and Fred Hodder. Stan is a former Chairman and Managing Director of Dow Chemical UK Limited and Fred was Chief Financial Officer of Nelson Resources Limited. The Board is confident that their specialised knowledge and experience will prove to be of great benefit to the company.

The Board now consists of:

- Philip Dayer - Non Executive Chairman
- Simon Escott - Chief Executive Officer
- Robert Wilde - Finance Director
- Stanley Buck - Non Executive Director
- Fred Hodder - Non Executive Director.

Operations

Tetoil Terminal

The Group's principal asset is its 58.35% equity interest in Tetoil, a company which is constructing an oil export transshipment terminal in Kaliningrad, a sovereign Russian territory located on the Baltic Sea between the EU states of Poland and Lithuania, which is Russia's only ice-free port on the Baltic Sea.

The terminal will have a throughput capacity of up to 480,000 tonnes per month ("tpm"), or 5.8 million tonnes per annum. Tetoil is targeting the demand for new transshipment facilities in strong Russian light crude and oil products export markets. The site includes 1 km of river frontage and has a fully constructed tanker jetty.

Baltic Oil Terminals PLC

The construction of the Tetoil terminal commenced as planned on 17 July 2006. The main engineering contractors are on schedule and the first tank orders have been placed in Latvia and Estonia. The Railway spur line routing has been approved by the Kaliningrad Railways and construction will start, again on schedule, in September 2006.

Baltic has recruited two expatriate UK personnel, being a Project Manager and Project Planner, working out of Kaliningrad. Both individuals bring great experience to the project team and have worked with the existing operations management previously. We now have the foundations in place in terms of team, contractors and partners to ensure that we remain on budget and on schedule.

Polex

Polex, a vessel cleansing business based in Kaliningrad in which the group holds a 50% associate interest, is performing in accordance with expectations and generating modest revenues.

ZNG – Kurgan Exploration Project

Following the award of three new licences in May and June, South Voskresensky, Petukhovsky and Lebyazhevsky, ZNG Limited (of which Baltic has a 50% equity interest and is the operator) now has exploration rights to around 1 million acres in the Kurgan Oblast, in Western Siberia.

In accordance with the work programme, ZNG has been running an extensive Gas Seismic Programme on two blocks (Privolny and Mokrousovsky). We commissioned Exotrad to carry out the work, as this company is now recognised as the world leader for this type of research and survey work. The results have been most encouraging, potentially indicating significant resources and our UK Geological and Engineering nominated contractor, ECL (part of the RPS Group), has recently confirmed that we have identified well defined geochemical leads in these two blocks.

Our next move will be to carry out high definition 2D seismic across the grids made by the Gas Seismic Programme. The company plans to commence work in Privolny and Mokrousovsky imminently using Bazneftgeophysica. The results of the seismic, following processing and interpretation to be carried out in the UK by ECL, are expected to be available by the end of October for Privolny and by the end of the year for Mokrousovsky.

Outlook

In light of the good progress we have made in both Tetoil and ZNG, the Board believes the Group prospects to be very promising.

Tetoil is on schedule and on budget, and we are confident that our exploration play in Kurgan will show further encouraging results in the last quarter of the year.

The progress we have made would not have been possible without the major efforts of all of our employees, for which the Board is very grateful.

Baltic Terminals PLC

Financial review

The cost of the terminal construction project remains in line with budget expectations, with the overall cost of both phases of capital development expected to reach, collectively, around \$40 million (£22 million) by the second half of 2008.

Since revenue from transshipment throughput at the terminal is not expected before 2007, there has been no operational income in the six months ended 30 June 2006. However, £0.1 million of interest income has been derived from funds placed on deposit. To hedge future currency fluctuations, of the £21 million (net) raised at IPO, \$17 million and Euro 6 million were purchased and placed on deposit.

The financial statements include a modest income of £20,000, being the Group's share of the net results of its associate, Porex, since its acquisition in March 2006.

An operating loss of £2.7 million, and a loss per share of 8.04p per share were generated in the period. Operating overheads were in line with budget, although the loss is after charging for unrealised foreign exchange differences of £0.6 million resulting from the translation of foreign currencies to sterling at the balance sheet date. The cash balance at the half year was £18.9 million. In addition, the Group has charged £0.5 million to the profit and loss account representing the charge from the Group's policy of writing off exploration expenditure and £0.3 million representing associated administrative costs of the ZNG subsidiary. Such expenditure is in line with the plan at the time of the IPO. Finally, the Group introduced at IPO long term incentive plans ("LTIP") for staff and directors. This is in addition to the options in existence for the Group's founding shareholders. In line with International Financial Reporting Standards in which the accounting cost of these LTIP options is allocated over the life of the option, the Group has charged £0.1 million, representing the proportionate charge for the period. The charge for the founders' options for the period is £0.5 million.

In accordance with our policy at IPO, the company will not be declaring a dividend for the period.

Simon Escott
Chief Executive

Philip Dayer
Non Executive Chairman

Baltic Oil Terminals PLC

Consolidated interim income statement Period from 1 January 2006 – 30 June 2006

	Notes	Unaudited six months ended 30 June 2006 £'000	12 months ended 31 December 2005 £'000
Revenues		-	-
Cost of sales		-	-
Gross loss		-	-
Other income		105	117
Exploration and evaluation costs		(491)	-
Administrative expenses		(2,414)	(956)
Operating loss before taxation and finance items		(2,800)	(839)
Finance income		100	48
Loss before taxation		(2,700)	(791)
Tax expense	5	(24)	(10)
Share of result of associated company		20	-
Loss for the period		(2,704)	(801)
Attributable to:			
Equity shareholders of the parent		(2,539)	(750)
Minority interests		(165)	(51)
		(2,704)	(801)
Earnings per share attributable to equity shareholders of the parent:			
Basic and diluted (loss)		(8.04p)	(4.37p)

Baltic Oil Terminals PLC

Consolidated interim balance sheet As at 30 June 2006

	Unaudited 30 June 2006 £'000	31 December 2005 £'000
Non-current assets		
Intangible exploration assets	2,145	1,689
Property, plant and equipment	432	90
Goodwill	494	144
Share of net assets of associates	1,198	-
Other non-current assets	88	80
	<hr/> 4,357	<hr/> 2,003
Current assets		
Loan	858	-
Trade and other receivables	24	25
Prepayments and other current assets	530	483
Cash and cash equivalents	18,974	395
	<hr/> 20,386	<hr/> 903
TOTAL ASSETS	24,743	2,906
Equity and liabilities		
Share capital	434	1
Share premium	25,256	2,639
Other reserves	603	-
Equity – share options	214	-
Equity - foreign exchange reserve	-	-
Retained losses	(3,289)	(750)
	<hr/> 23,218	<hr/> 1,890
Equity attributable to shareholders of the parent	23,218	1,890
Minority interests	23	188
	<hr/> 23,241	<hr/> 2,078
Total equity	23,241	2,078
Non-current liabilities		
Deferred tax liability	287	287
	<hr/> 287	<hr/> 287
Current liabilities		
Trade and other payables	1,215	541
	<hr/> 1,215	<hr/> 541
Total liabilities	1,502	828
TOTAL EQUITY AND LIABILITIES	24,743	2,906

These financial statements were approved by the Board of Directors on 8 August 2006 and signed on its behalf.

Robert Wilde

Baltic Oil Terminals PLC

Consolidated interim cash flow statement Period from 1 January 2006 – 30 June 2006

	Unaudited six months ended 30 June 2006 £'000	12 months ended 31 December 2005 £'000
Operating activities		
Group operating loss before taxation	(2,700)	(791)
<i>Adjustments to reconcile group operating loss to net cash inflows/outflows from operating activities</i>		
Finance income	(100)	(48)
Foreign exchange (gain)/loss	553	(196)
Share based payment	603	-
Depreciation of property, plant and equipment	17	4
Amortisation of intangible assets	12	4
Decrease in trade and other receivables	6	(292)
Increase in trade and other payables	674	108
Net cash flows from operating activities	(935)	(1,211)
Cash flows from investing activities		
Interest received	40	15
Purchase of property, plant and equipment	(371)	(94)
Purchase of intangible assets	(456)	-
Payment to acquire investments	(1,466)	(383)
Loans made	(858)	(582)
Net cash flows from investing activities	(3,111)	(1,044)
Cash flows from financing activities		
Net proceeds from shares issued	23,050	2,640
Net cash flows from financing activities	23,050	2,640
Increase in cash and cash equivalents	19,004	385
Cash and cash equivalents at beginning of year	395	-
Effect of exchange rate on cash and cash equivalents	(425)	10
Cash and cash equivalents at the end of the year	18,974	395

Baltic Oil Terminals PLC

Consolidated interim statement of changes in equity Period from 1 January 2006 – 30 June 2006

	Share capital £'000	Share premium £'000	Share based payment reserves £'000	Foreign exchange reserves £'000	Retained losses £'000	Total £'000	Minority interests £'000	Total equity £'000
At 31 December 2005	1	2,639	-	-	(750)	1,890	188	2,078
Share based payments reserve	-	-	603	-	-	603	-	603
Foreign exchange reserves	-	-	-	214	-	214	-	214
Loss for the year	-	-	-	-	(2,539)	(2,539)	(165)	(2,704)
Shares issued during the period	433	22,617	-	-	-	23,050	-	23,050
Unaudited totals at 30 June 2006	434	25,256	603	214	(3,289)	23,218	23	23,241

Baltic Oil Terminals PLC

Notes to the interim financial statements Period from 1 January 2006 – 30 June 2006

1. Accounting policies

a) Basis of preparation

The financial information contained herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The unaudited interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended 31 December 2005 and the new accounting policies set out below. The financial information for the year ended 31 December 2005 has been extracted from the full financial statements of the Group for the period. Those accounts have been filed with the Registrar of Companies and contained an unqualified audit report.

On 6 April 2006 a share for share exchange took place between Baltic Oil Terminals and the shareholders of Baltic Petroleum Limited in consideration for the acquisition of the entire issued share capital of Baltic Petroleum Limited. The accounting for the reverse acquisition of Baltic Petroleum Limited by Baltic Oil Terminals PLC reflects the legal subsidiary as being the acquirer. However, the consolidated financial statements have been prepared under the name of Baltic Oil Terminals PLC (legal parent). The financial statements represent a continuation of Baltic Petroleum Limited, since it is the acquirer for accounting purposes. The comparative information presented in the financial statements is that of Baltic Petroleum Limited. The income statement for the period reflects that of Baltic Petroleum Limited for the full period together with the post-acquisition results of Baltic Oil Terminals PLC.

These interim financial statements do not include comparative data for the six months ended 30 June 2005, since this was the first period after incorporation and activity levels would not give a meaningful comparison. Almost all of the operating activity took place in the second half of 2005.

b) New accounting policies

(i) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

(ii) Interests in associates

An associate is an entity over which the group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity. The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

Baltic Oil Terminals PLC

Notes to the interim financial statements Period from 1 January 2006 – 30 June 2006

2. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segment	Unaudited six months ended 30 June 2006			12 months ended 31 December 2005		
	Exploration & Production £'000	Terminals £'000	Total £'000	Exploration & Production £'000	Terminals £'000	Total £'000
Revenue	-	-	-	-	-	-
Segment result	(799)	35	(764)	(278)	(108)	(386)
Unallocated expenses			(2,036)			(453)
Group operating loss			(2,800)			(839)
Finance income			100			48
Group loss before taxation			(2,700)			(791)
Tax expense			(24)			(10)
Share of associate results			20			-
Loss for the year			(2,704)			(801)
Assets and liabilities						
Segment assets	2,665	2,019	4,684	2,045	222	2,267
Unallocated assets			20,059			639
Total assets			24,743			2,906
Segment liabilities	(684)	(49)	(733)	(617)	(1)	(618)
Unallocated liabilities			(769)			(210)
Total liabilities			(1,502)			(828)

Baltic Oil Terminals PLC

Notes to the interim financial statements Period from 1 January 2006 – 30 June 2006

3. Business combinations

On 31 March 2006 the group acquired 51% of the ordinary shares of OJSC Tetoil for a purchase consideration of £171,000 (US\$300,000). An option to acquire the interest in OJSC Tetoil was agreed on 17 June 2005 for a premium of £57,000 (US\$100,000). On signing of the shareholders agreement a control premium of £114,000 (US\$200,000) was paid. Baltic has control of OJSC Tetoil as the majority shareholder. Legal costs in relation to the acquisition were £116,000, so the total cost of acquisition was £287,000. A further 7.35% interest in OJSC Tetoil was acquired through the investment in an associate company, OOO Poles Service, on 31 March 2006.

OJSC Tetoil is a private company based in Kaliningrad, Russian Federation, which has commenced building and proposes to operate a transshipment terminal, mini refinery and topping unit in Kaliningrad. The investment in OJSC Tetoil has been included in the company's balance sheet at its fair value at the date of acquisition.

Book and fair values of the net assets at date of acquisition were as follows:

	Book Values £'000	Fair Values £'000
Tangible assets	134	134
VAT reclaimable	1	1
Current assets	-	-
Trade and other payables	(243)	(243)
Net assets	(108)	(108)
Minority Interest (41.65%)		45
Goodwill arising on acquisition		350
		287
Discharged by:		
Cash consideration		171
Costs associated with the acquisition, settled in cash		116
		287

From the date of acquisition, OJSC Tetoil has contributed a loss of £90,000 to the net loss of the Group. If the combination had taken place at the beginning of the year, the contribution to the Group would have been a loss of £262,000.

The carrying value of trade receivables and trade payables is the same as the fair value.

Baltic Oil Terminals PLC

Notes to the interim financial statements Period from 1 January 2006 – 30 June 2006

4. Investment

Investment in associates

On 31 March 2006 the Group acquired 50% of the ordinary shares of OOO Porex Service, Kaliningrad, Russian Federation for a purchase consideration of £1,148,000 (US\$1,990,000). This is not deemed to be a controlling interest under the terms of the company's charter. Management believe only significant influence exists and therefore account using the equity method. The legal costs were £31,000 giving a total acquisition cost of £1,179,000. The fair value of the net assets acquired was £179,000 on 31 March 2006, with the Group share being £89,500. Goodwill on acquisition totalled £1,089,500.

5. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	Unaudited six months ended 30 June 2006 £'000	12 months ended 31 December 2005 £'000
Current income tax:		
UK Corporation tax - current period	24	10
Tax charge in the income statement	24	10

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is charged at the rate of corporation tax in the UK of 30%. The tax expenses relates to Caspian Finance Limited, which recorded a profit for the six months ended 30 June 2006 of £79,000.

	Unaudited six months ended 30 June 2006 £'000	12 months ended 31 December 2005 £'000
Profit from continuing operations before taxation	79	51
Accounting profit before income tax	79	51
Accounting profit multiplied by the UK rate of corporation tax of 30%	24	10
Total tax expense reported in the income statement	24	10

INDEPENDENT REVIEW REPORT TO BALTIC OIL TERMINALS PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London

Baltic Oil Terminals PLC

Corporate information

Registered No. 05752493

Directors

Simon Leigh Escott
Robert Wilde

Secretary

Robert Wilde

Non Executive Directors

Philip Dayer
Stanley Buck
Fred Hodder

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Broker/Nomad/Financial Advisor

Arden Partners plc
Nicholas House
3 Laurence Poutney Hill
London
EC4R 0EU

Solicitors

Covington & Burling
265 Strand
London
WC2R 1BH

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Registered Office

6 -8 Underwood Street
London
N1 7JQ

Correspondence Address

18b Charles Street
London W1J 5DU