

Baltic Oil Terminals PLC interim report 2007



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We are pleased to present Baltic's Interim Report for the six months ended 30 June 2007.

On 25 July 2007, Baltic successfully completed the acquisition of a 25% interest in a newly constructed and operating transshipment terminal, Rosbunker. Income started to accrue to Baltic from 1 July and is expected to continue and increase throughout the second half of the year. This acquisition has moved Baltic's export transshipment activities into a truly operational phase with cash flows being generated.

The Company is now well placed to deliver a diverse operational income stream in the second half of the year, despite exploring, but aborting, the potential acquisition of a controlling interest in Cetruss, a Company with land and infrastructure in the port of Kaliningrad.

Operations

Rosbunker Terminal

Baltic acquired a 25% interest (although Baltic has rights to 30% of profit distributions for 24 months) in CJSC Rosbunker, which owns a newly completed transshipment terminal in the Kaliningrad Oblast in Russia. Rosbunker had already commenced transshipment prior to the acquisition date and is currently handling mazut and diesel. The terminal is situated close to the Baltic Sea near the mouth of the Pregol River at Baltysk, which should in due course enable a deeper-water, second phase of the terminal to be built for larger vessels of up to 40,000 DWT.

Baltic is now actively working with our partners to implement the optimal management arrangements. These partners are Vladimir Gavrilov (25% interest), who is a Moscow based lawyer with various interests in natural resources and was the individual who established the new terminal; and Krutrade AG (50% interest) which is incorporated in Austria and is a wholly owned subsidiary of Kuzbassrazrezugol, the largest Russian exporter of coal. Baltic will jointly operate the terminal.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT CONTINUED

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Operations continued

Baltic Top

The Company's wholly owned subsidiary, Baltic Top, which distributes diesel and gasoline domestically, continues to perform above our original expectations with average throughput in excess of 10,000 tonnes per month.

Tetoil Baltic Terminal (Rabachiy)

In April 2007, Baltic recommenced construction of its Tetoil Baltic transshipment terminal project on the Rabachiy peninsula in Kaliningrad. Utilising the first four tanks already on site, this terminal is scheduled to commence initial operations later in the year.

Torqovy Dom Kaliningradneft (TDKN)

Baltic acquired a further 14% interest in TDKN during May 2007, which increased the overall interest to 65%. TDKN has the rights to operate a 12,000 cubic metre storage tank owned by the Russian Navy at the Baltysk Naval port, 35 kilometres west of the city. TDKN did not commence throughput as originally intended, but expects to do so, by transshipment of crude for export, during 2007.

Polex

The vessel cleansing business of Polex, in which Baltic holds a 50% associate interest and operates from the Rabachiy peninsula to the west of the city of Kaliningrad, continues to generate modest revenues. During the period, the port authority Rosmoport, refurbished and extended the jetty leased from them by Polex. This will enable additional vessels to utilise the jetty and facilitate their turn-around when the Tetoil Baltic Terminal, which has an access arrangement with Polex for this jetty, is operational.

Zauralneftegaz (ZNG) – Kurgan Exploration Project ZNG, in which Baltic holds a 50% subsidiary interest and is controlled and operated by Baltic, completed its planned seismic programme across two of its seven licence blocks in the Kurgan Oblast in western Siberia.

Baltic subsequently drilled its first exploration well on the Privolny licence block, during the period.

In light of the preliminary findings in the first 2,000 metres of the Privolny-1 exploration well, Baltic decided to drill a further 400 metres to reach a total depth to date of 2,400 metres. Drilling has now been temporarily suspended, pending further analysis of the data.

The original objective of the Privolny-1 well was to substantiate the interpretation of seismic data obtained in 2006, together with other geophysical and geochemical work conducted over the last two years. This would materially advance Baltic's understanding of the geology of the licence areas.

This objective has been achieved, with sufficient data now gathered and being analysed to enable a tie in to the adjoining Mokrousovsky licence block. The data gathered will also allow Baltic to determine with a greater degree of confidence the exact location of its second well, Mokrousovsky-1. This is expected to spud in September 2007.

Finance review

Baltic's results for the first six months of 2007 are modest, since the Tetoil Baltic terminal project is under construction and first results following the acquisition of our interest in the new Rosbunker terminal did not commence until July. Total revenue for the period was £273,000, with £266,000 being from Baltic Top. Additional net operating income from our associate company, Polex, was £8,000.

An operating loss of £4.4 million was generated in the period. The Group has charged £0.6 million to the profit and loss account resulting from the Group's policy of writing off exploration expenditure and £0.9 million representing associated administrative costs of ZNG. The loss also includes non-cash charges of £0.8 million for share-based payments for the period, as required under IFRS. Charges relating to the aborted Cetruss acquisition total £0.4 million.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT CONTINUED

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Baltic Oil Terminals PLC Interim report 2007

Finance review continued

Capital expenditure for the period totalled £2.8 million and included £1.3 million relating to Tetoil Baltic terminal project and Baltic Top and £1.3 million for capitalised exploration expenditure, mostly related to the well costs on Privolniy. Subsequent to the period end, Baltic acquired its 25% interest in Rosbunker for a cash consideration of \$9.0 million (£4.5 million). As at 30 June 2007, costs totalling £0.1 million had so far been capitalised in respect of the acquisition of Baltic's interest in the new Rosbunker terminal, pending financial completion of the deal.

Cash held at 30 June, 2007 was £11.6 million.

Outlook

The key priority of your Board is to generate cash flowing operations from the Company's terminal businesses in the Kaliningrad region.

Since 1 July 2007, income has been accruing to Baltic from the new Rosbunker terminal. In addition, initial revenues from the Tetoil Baltic Rabachiy terminal project are anticipated in the autumn. Throughput at TDKN should commence soon. With Baltic Top already operational, the second half of 2007 should see the Company handling a variety of cargos including crude, mazut and diesel from four separate terminal businesses, thereby giving a diverse income stream.



Philip Dayer
Non-executive Chairman
9 August 2007



Simon Escott
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

SIX MONTHS FROM 1 JANUARY 2007 – 30 JUNE 2007

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Baltic Oil Terminals PLC interim report 2007

	Unaudited 6 months ended 30 June 2007 £'000	Restated unaudited 6 months ended 30 June 2006 £'000	Audited 12 months ended 31 December 2006 £'000
Revenues	273	—	222
Cost of sales	(46)	—	(129)
Gross profit	227	—	93
Other income	—	105	—
Exploration and evaluation costs	(647)	(491)	(2,288)
Administrative expenses	(4,261)	(3,790)	(6,434)
Operating loss before taxation and finance items	(4,681)	(4,176)	(8,629)
Finance income	288	100	395
Loss before taxation	(4,393)	(4,076)	(8,234)
Tax expense	(15)	(24)	(23)
Share of result of associated company	8	20	39
Loss for the period	(4,400)	(4,080)	(8,218)
Attributable to:			
Equity shareholders of the parent	(4,400)	(3,915)	(8,030)
Minority interests	—	(165)	(188)
	(4,400)	(4,080)	(8,218)
Earnings per share attributable to equity shareholders of the parent:			
Basic and diluted (loss)	(9.24p)	(12.39p)	(21.18p)

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

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Baltic Oil Terminals PLC interim report 2007

	Unaudited 30 June 2007 £'000	Restated unaudited 30 June 2006 £'000	Audited 31 December 2006 £'000
Non-current assets			
Intangible exploration assets	3,245	2,145	1,958
Property, plant and equipment	4,994	432	3,666
Share of net assets of associates	1,210	1,198	1,203
Goodwill	2,032	494	2,005
VAT reclaimable	62	—	258
Other non-current assets	—	88	—
	11,543	4,357	9,090
Current assets			
Trade and other receivables	90	24	27
Inventories	36	—	17
Loan	288	858	—
Prepayments and other current assets	1,460	530	1,568
Cash and cash equivalents	11,571	18,974	17,883
	13,445	20,386	19,495
Total assets	24,988	24,743	28,585
Equity and liabilities			
Share capital	476	434	476
Share premium	33,195	25,256	33,195
Other reserves – Equity: share options	2,972	1,979	2,209
– Equity: foreign exchange reserve	(613)	214	(475)
Retained losses	(13,180)	(4,665)	(8,780)
Equity attributable to shareholders of the parent	22,850	23,218	26,625
Minority interests	—	23	—
Total equity	22,850	23,241	26,625
Non-current liabilities			
Deferred tax liability	461	287	530
	461	287	530
Current liabilities			
Trade and other payables	1,677	1,215	1,430
	1,677	1,215	1,430
Total liabilities	2,138	1,502	1,960
Total equity and liabilities	24,988	24,743	28,585

These financial statements were approved by the Board of Directors on 9 August 2007 and signed on its behalf:



Robert Wilde
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS FROM 1 JANUARY 2007 – 30 JUNE 2007

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Baltic Oil Terminals PLC interim report 2007

	Unaudited 6 months ended 30 June 2007 £'000	Restated unaudited 6 months ended 30 June 2006 £'000	Audited 12 months ended 31 December 2006 £'000
Operating activities			
Group operating loss before taxation	(4,393)	(4,076)	(8,234)
Adjustments to reconcile Group operating loss to net cash inflows/outflows from operating activities:			
Finance income	(288)	(100)	(395)
Foreign exchange loss	18	553	577
Share based payment	1,003	1,979	2,209
Depreciation of property, plant and equipment	107	17	92
Amortisation of intangible assets	66	12	369
Increase in inventories	(15)	—	(17)
Decrease/(increase) in trade and other receivables	238	6	(1,478)
(Decrease)/increase in trade and other payables	(51)	674	544
Cash generated from operations	(3,315)	(935)	(6,333)
Income taxes paid	(16)	—	(20)
Net cash outflows from operating activities	(3,331)	(935)	(6,353)
Cash flows from investing activities			
Interest received	288	40	318
Purchase of property, plant and equipment	(1,477)	(371)	(2,285)
Purchase of intangible assets	(1,385)	(456)	(340)
Payment to acquire investments	(11)	(1,466)	—
Purchase of subsidiary undertaking, net of cash acquired	—	—	(2,355)
Payment to acquire associate	—	—	(1,153)
Loans	(288)	(858)	(653)
Net cash flows from investing activities	(2,873)	(3,111)	(6,468)
Cash flows from financing activities			
Net proceeds from shares issued	—	23,050	31,031
Net cash flows from financing activities	—	23,050	31,031
(Decrease)/increase in cash and cash equivalents	(6,204)	19,004	18,210
Cash and cash equivalents at beginning of year	17,883	395	395
Effect of exchange rate on cash and cash equivalents	(108)	(425)	(722)
Cash and cash equivalents at the end of the year	11,571	18,974	17,883

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS FROM 1 JANUARY 2007 – 30 JUNE 2007

	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 payment reserve	—	—	2,209	—	—	2,209	—	2,209
Foreign exchange reserves	—	—	—	(475)	—	(475)	—	(475)
Loss for the year	—	—	—	—	(8,030)	(8,030)	(188)	(8,218)
Total income and expense for the year	—	—	2,209	(475)	(8,030)	(6,296)	(188)	(6,484)
Shares issued during the period	475	33,247	—	—	—	33,722	—	33,722
Transaction costs	—	(2,691)	—	—	—	(2,691)	—	(2,691)
At 31 December 2006	476	33,195	2,209	(475)	(8,780)	26,625	—	26,625
Share-based payments reserve	—	—	763	—	—	763	—	763
Foreign exchange reserves	—	—	—	(138)	—	(138)	—	(138)
Loss for the year	—	—	—	—	(4,400)	(4,400)	—	(4,400)
Total income and expense for the period	—	—	763	(138)	(4,400)	(3,775)	—	(3,775)
Shares issued during the period	—	—	—	—	—	—	—	—
Transaction costs	—	—	—	—	—	—	—	—
Unaudited totals at 30 June 2007	476	33,195	2,972	(613)	(13,180)	22,850	—	22,850

NOTES TO THE FINANCIAL STATEMENTS

SIX MONTHS FROM 1 JANUARY 2007 – 30 JUNE 2007

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Baltic Oil Terminals PLC interim report 2007

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 2006 and the new accounting policies set out below. The financial information for the year ended 31 December 2006 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.

These interim financial statements include comparative data for the six months ended 30 June 2006.

b) New accounting policies

(i) Basis of consolidation

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities is recognised as goodwill.

2. Disclosure relating to prior period adjustments

Upon review conducted during the preparation of the Group consolidated financial statements for the period ended 30 June 2007, a change was noted which was necessary. The item and associated impact on the financial statements is stated below:

Share based payment reserve

The Founders Option charge at 30 June 2006 was £528,000. However, as per the 31 December 2006 Annual Report the charge should have been £1,904,000. This represents an increase of £1,376,000 and the 30 June 2006 Interim Report Balance Sheet and Income Statement need to be amended accordingly to reflect the correction.

The impact of the adjustments on the financial statements as at 30 June 2006 is as follows:

- Balance Sheet – increase in share-based payment reserve of £1,376,000.
- Income Statement – additional administrative expense of £1,376,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SIX MONTHS FROM 1 JANUARY 2007 – 30 JUNE 2007

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Baltic Oil Terminals PLC interim report 2007

3. 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.

	Unaudited 6 months ended 30 June 2007			Restated unaudited 6 months ended 30 June 2006			Audited 12 months ended 31 December 2006		
	Business segment			Business segment			Business segment		
	Exploration and production £'000	Terminals £'000	Total £'000	Exploration and production £'000	Terminals £'000	Total £'000	Exploration and production £'000	Terminals £'000	Total £'000
Revenue	—	273	273	—	—	—	—	222	222
Segment result	(2,234)	(1,037)	(3,271)	(799)	35	(764)	(3,867)	(814)	(4,681)
Unallocated expenses			(1,410)			(3,412)			(3,948)
Group operating loss			(4,681)			(4,176)			(8,629)
Finance income			288			100			395
Group loss before taxation			(4,393)			(4,076)			(8,234)
Tax expense			(15)			(24)			(23)
Share of associate results			8			20			39
Loss for the period			(4,400)			(4,080)			(8,218)
Assets and liabilities									
Segment assets	2,777	8,257	11,034	2,665	2,019	4,684	2,185	7,512	9,697
Unallocated assets			13,954			20,059			18,888
Total assets			24,988			24,743			28,585
Segment liabilities	(589)	(794)	(1,383)	(684)	(49)	(733)	(375)	(570)	(945)
Unallocated liabilities			(755)			(769)			(1,015)
Total liabilities			(2,138)			(1,502)			(1,960)

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 2007 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes 1 to 3. 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 and presentation have been consistently 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 2007.



Ernst & Young LLP

London

9 August 2007

DIRECTORS AND ADVISERS

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Registered No. 05752493

Directors

Philip Dayer
(Non-executive Chairman)

Simon Escott
(Chief Executive Officer)

Robert Wilde
(Finance Director and Company Secretary)

Stanley Buck
(Non-executive Director)

Fred Hodder
(Non-executive Director)

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