2010

Public Company ORLEN Lietuva consolidated financial statements

For the year ended 31 December 2010

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Independent auditor's report to the shareholder of AB ORLEN Lietuva

Report on the Financial Statements

We have audited the accompanying consolidated financial statements ("financial statements") of AB ORLEN Lietuva and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 14 to 55.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the AB ORLEN Lietuva Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Legal and Other Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year 2010 set out on pages 4 to 8 of the financial statements and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2010.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner, pp
Certified auditor

Klaipėda, the Republic of Lithuania
25 March 2011

APPROVED BY
Decision of the Board of Directors of Public Company ORLEN Lietuva on ___ April 2011

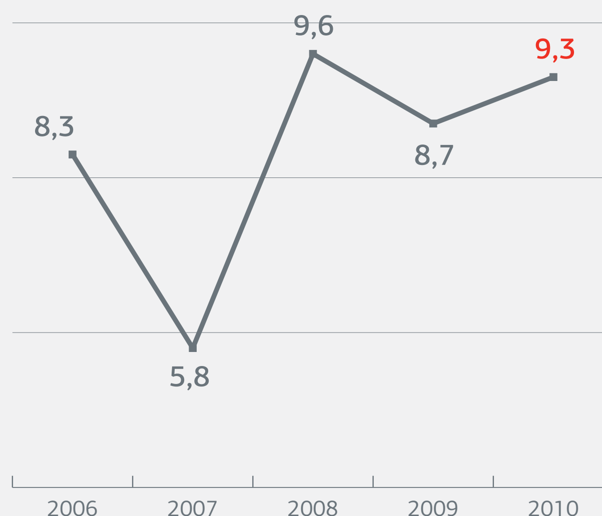
Consolidated Annual Report of Public Company Orlen Lietuva for the Year 2010

Low refining margins, global economy slowdown and significant decrease of fuel consumption in Baltic countries due to the overall economy recession had a material impact on the financial results of Public Company ORLEN Lietuva and its subsidiaries (hereinafter – the Group) for the year 2010. Nevertheless, Public Company ORLEN Lietuva (hereinafter – the Parent Company) succeeded in retaining its position on the target markets and successfully selling its products.
Performance optimization and efficiency increase were one of the most serious challenges of the Parent Company during the last year. In 2010, reorganizational changes within the Parent Company were continued. The Parent Company succeeded in reduction of its energy consumption, increasing yields of the light petroleum products, reduction of manpower and implementation of the projects related to improvement of the Parent Company's management.
Unresolved issues associated with logistics activities and being of extreme importance for the Group, such as issues related to Klaipeda Terminal, building of the product pipeline and restoration of the shorter route in Latvian direction, had a negative impact on the Group's financial results. Higher logistics costs to the markets of Latvia and Estonia had an adverse influence on the Group's position in the said markets.
The supply chain management undertakings implemented in the Parent Company allowed smooth coordination of operations, logistics and sales activities, reducing the level of inventories and, at the same time, the working capital demand as well as mitigating the impact of inventory depreciation on the financial results.
The Group has undergone changes in its management structure, optimizing management of different areas and improving coordination of the activities within the Group and with PKN Orlen Group. The Parent Company continued restructuring by concentrating on its core operations. In 2010, gradual transfer of maintenance works to the Parent Company's subsidiary UAB "EMAS" as well as contracting organizations was completed.
Organizational changes and restructuring were followed by the workforce reduction during the last year. In comparison with the year 2009, the number of employees in the Group decreased by 319, i.e. 11 per cent. The number of the Group employees at the end of 2010 was 2,640.
Last year the Parent Company implemented only the most essential projects required for upgrade of existing units to ensure safe and continuous production process and compliance of petroleum products with the new requirements of the European Union.

Operating Results

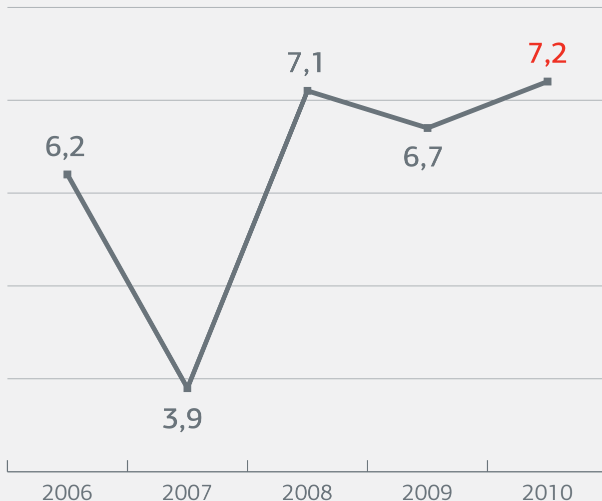
In 2010, the feedstock processing volume was 9.3 million tons, i.e. by 0.5 million tons (6.3 per cent) higher than during the last year (8.7 million tons).
Sales of petroleum products by the Group in 2010 amounted to 8.7 million tons, compared to 8.2 million tons of petroleum products in 2009. Petroleum product sales volume increased by 0.5 million tons or 5.6 per cent if compared to 2009. As a result of the increased world prices for crude and petroleum products and higher sales by the Parent Company, revenues of the Group increased by 34.6 per cent and reached USD 5.8 billion (LTL 15.1 billion) in 2010, while the revenues in the year 2009 amounted to USD 4.3 billion (LTL 10.7 billion).
Continuing economic recession in the Baltic States impacted drop of gasoline and diesel fuel sales in Lithuanian, Latvian and Estonian markets, with reduction of

Refining volumes (million tons):



sales volume by 12.3 per cent if compared to 2009.
In 2010, the Group exceeded the level of 2009 sales to Ukrainian market and markets of other CIS, reaching over 650 thousand tons of gasoline and diesel fuel, i.e. by 30.7 per cent higher than during the previous year. Such sales results were impacted by the quality of fuel and recognition of the refined petroleum products on the market.

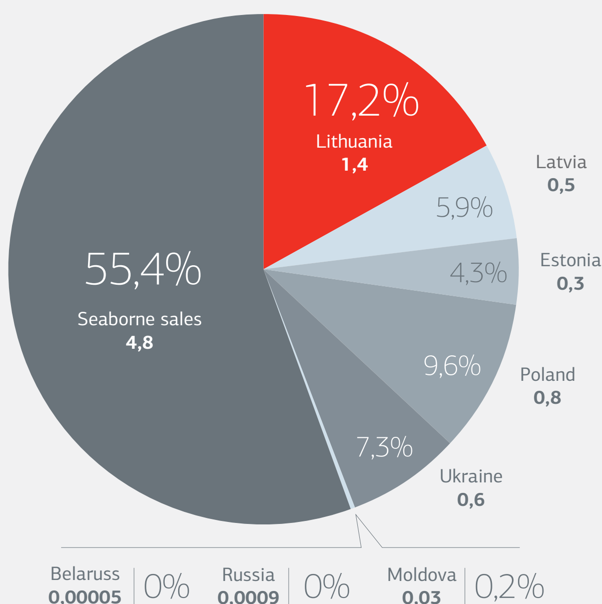
Export (million tons):



Increase of the refining volumes was followed by growth of the seaborne sales in 2010, amounting to 4.8 million tons, in comparison with 4.3 million tons in the year 2009.
Commercial Sales and Logistics Divisions of the Parent Company were successful in increasing efficiency of their activities, Operations Division reduced fuel consumption and improved the light products yield (73.5 per cent compared to 73.3 per cent in 2009), while due to the increased refining volumes the capacity utilization reached 88 per cent compared to 82.3 per cent in 2009. In 2010, the Parent Company implemented the whole range of the projects intended for improvement of products' quality as well as operations efficiency. All the indicated achievements had a positive impact on the Parent Company's performance.
In 2010, the fuel stations of the Group operating under Ventus and ORLEN Lietuva brands sold 81.4 million liters of fuel, i.e. increase by 1.4 per cent versus 2009. The main reasons for such increase were reduction of excise duty on diesel fuel in the 2nd half of the year 2009, followed by positive impact on purchases of fuel by the transportation companies in Lithuania as well as fuel sales supporting promotions arranged by the Company together with the major retail chains helping to attract more clients.
The volume of sales in the shops of the fuel stations decreased by 11 per cent in comparison with the year 2009 due to the overall recession in the retail sector as well as increasing size of the shadow economy, especially associated with tobacco and alcohol sales.

ORLEN Lietuva sales by countries in 2010 (million tons):

Total sales 8,6 million tons



Financial Results

The net loss of the Group for the year 2010 under the International Financial Reporting Standards (IFRS) amounted to USD 31.4 million (LTL 81.9 million), while the net loss for 2009 was USD 34.4 million (LTL 85.3 million). Operating profit for the year 2010 comprised USD 11.3 million (LTL 29.4 million), in comparison with USD 1.2 million (LTL 3.0 million) for the year 2009.
Changes in financial indicators of the Group for the year 2010 were insignificant if compared to the previous year: the return on assets was minus 0.017 (0.018 in 2009), and the return on equity was minus 0.042 (0.043 in 2009). Changes of other indicators were as follows: the long term debt to equity ratio was 0.23 (0.36 in 2009), the current ratio was 0.84 (0.86 in 2009), the asset turnover ratio was 3.13 (2.27 in 2009), and the net debt to equity ratio was 0.35 (0.59 in 2009).
Information on financial risk management of the Group is available in Note 25 of Financial Statements. Information includes financial risk management objectives, used insurance instruments to which the accounting of insurance transactions is applicable as well as the information on the extent of pricing risk, credit risk, liquidity risk and cash flow risk of the Group.

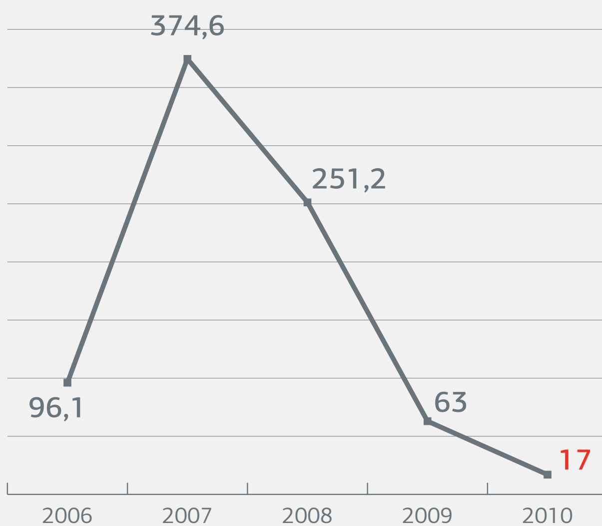
Modernization, Mandatory and Other Projects

In 2010, the Parent Company was implementing only the most essential projects required for upgrade of existing units to ensure safe and continuous production process as well as increase of profitability.

The total amount of investments by the Group into the tangible and intangible assets during the year 2010 comprised USD 17 million, i.e. were by 73.3 per cent less than in the year 2009 (USD 63.8 million in 2009).
Taking into consideration the financial status of the Parent Company, the main targets for the year 2010 were decrease of expenditures and increase of profitability. The Parent Company was addressing the most essential and profitable projects by allocating minimum investments.

In 2010, the Parent Company implemented the projects intended for reduction of energy consumption: supply of visbreaker residue and water emulsion to the heaters of Atmospheric Distillation Unit and heaters of naphtha, kerosene, and diesel hydrotreatment units and reformer, changes in the diagram of hydrogen supply from KT to LK-1 and LK-2 Units, optimization of the process in Oligomerization Unit, reduction of fuel oil consumption in the heater of Vacuum Gasoil Hydrotreatment Unit Stabilization Block. The total amount of investments for implementation of the said projects amounted to USD 3.3 million, with positive impact on 2010 EBITDA being USD 2.6 million.

Investment (million USD):



Seeking to ensure safe and continuous production process, the Parent Company was implementing in the year 2010 only the most essential upgrades of the existing units with the investments being USD 12.3 million, i.e. by 59 per cent less than in 2009 (the total amount of investments into the upgrade projects during the year 2009 amounted to USD 30 million).

Work Compensation Policy and Employees' Development

The Parent Company has the effective Collective Agreement concluded in 2009, offering its employees an attractive package of social benefits and guarantees. Compensation policy is labor marker oriented. Increase of the salaries for employees is based on the principles of internal equity and external competitiveness.
Continuous improvement of the employees' qualifications is the priority area of the human resources management. Rich library and computerized Training Center of the Parent Company ensure good conditions for employee training and professional education. Upon introduction of new technologies and standards the targeted training has been attended by 399 employees, 220 employees have acquired the knowledge on operation of additional process equipment. The said trainings along with other vocational trainings for the Parent Company's employees under the Lithuanian Labor Market Training Authority vocational training programs allow on-the-job learning and improving the employees' skills.
More than 420 employees attended trainings on accounting and finance, project management, mechanical engineering, security, law, computer literacy, quality management systems implementation, foreign languages and other areas. In autumn of 2010, the Parent Company completed the EU-financed project 'Improvement of Professional Knowledge and Skills for Administrative Staff of Lithuanian Industry and Services Enterprises'. Within the scope of this project 190 employees have improved their social skills as well as managerial competence. The project was implemented jointly with the Lithuanian Confederation of Industrialists. Another project started in autumn of 2010 is the leadership training project attended by 46 top and middle level managers. This project will extend into the year 2011.

Organizational Changes and Restructuring

Optimization of the Group's activities and efficiency increase became one of the most serious targets of the Group to achieve profitability; therefore reorganizational changes were further continued in the year 2010.
The Parent Company was further executing the process of restructuring by reducing its non-core activities and spinning them off into the newly established subsidiaries or by outsourcing relevant services. In 2010, the Parent Company completed gradual transfer of maintenance works to its subsidiary UAB "EMAS" and contracting organizations which was commenced in 2009.
To facilitate saving of the costs the Parent Company has reorganized the activities related with protection of the main pipelines, outsourced the products' transportation services, withdrawn a part of the services provided by car drivers, dissolved the Metrology Laboratory by concluding the contract for outsourcing of the services, and started the process for replacement of the services provided by the Company's Non-Destructive Testing Laboratory with the outsourced services.
Organizational changes and restructuring allowed for significant workforce reduction during the last year. The number of employees in the Group at the end of 2010 was 2,640. In comparison with the year 2009, the number of the Group employees decreased by 319. The number of employees in the Parent Company reduced

by 286, with 1,989 employees working at the end of 2010.

Changes in the Group Structure

On 19 July 2010, UAB “Remonto Mechanikos Centras” in Liquidation was excluded from thev Register of Legal Entities upon completion of the liquidation procedures. The remaining assets have been returned to the Parent Company.
On 1 December 2010, UAB “Uotas” in Liquidation was excluded from the Register of Legal Entities upon completion of the liquidation procedures.
Implementation of Management Systems

Activities of the Parent Company comply with the strict international integrated management system standards implemented by many European companies. In the European business practice, the companies which have introduced ISO 9001 standard are considered as the solid and reliable partners oriented towards the long-term plans and quality instead of pursue of the short-term profitability.
Upon implementation of the quality management system, the Parent Company in 2010 further continued improvement of its internal order, implementation of more efficient management followed by better comprehension of the objectives and processes by the employees; but the most important here is the trust of the clients in our products and work quality. Last year the Parent Company started certification of production control systems, and has already completed certification of bitumen production control system.

Social Responsibility

Having secured one of the leading positions in Lithuanian economy, the Group seeks not only to improve its business results, but also to enhance quality of life of the Group employees and their families as well as communities of Mažeikiai, Biržai Districts and Palanga town.
In 2010, the Parent Company, taking care of the community and solving the social problems in line with the provisions of its Social Policy, dedicated closer attention to the local communities, especially of Mažeikiai District. The Parent Company allocated funds for catering of poor people arranged by Mažeikiai District Municipality Administration and nursing of elderly ill people organized by Mažeikiai Branch of the Lithuanian Red Cross Society. In cooperation with Mažeikiai District Municipality Administration and local businessmen, the Parent Company is organizing for the second year already a merit campaign “Let’s Fill the Souls with Warmth” uniting the residents of Mažeikiai as well as other towns of the District.
The Parent Company was also the supporter of cultural, sports and social programs in Mažeikiai District as well as organization of Lithuanian Olympiads in physics and chemistry.

Ownership Structure

Shares of the Parent Company are owned by the sole shareholder “Polski Koncern Naftowy Orlen S.A.” entitled to 100 per cent of the shares.
In 2010, the Group did not acquire or transfer any of its own shares either.
Branches

The Parent Company has no branches established. The Parent Company has AB “ORLEN Lietuva” Representative Office in Ukraine.

Year 2011 – year of New Challenges and Opportunities

The persisting financial crisis will have significant impact on the Group’s performance results in the year 2011 as well.
Reduction of money supply, weakened credit facilities force the Group to revise its future plans and once again assess the investment projects which will be commenced only after repeated evaluation of their economical benefit or significance for the Group’s performance. In the year 2011, the Group will further focus on improvement of the efficiency in all business segments as well as manpower optimization through the processes of restructuring and elimination of non-core activities. Such arrangements are necessary seeking to ensure the long-term perspective not only for Public Company “ORLEN Lietuva” but for the whole PKN “Orlen” Group under the conditions of increasing competitiveness.
The forecasted throughput of the Refinery in 2011 is about 9.7 million tons of feedstock.
The Group will further pursue the goal of creating shareholder value by aiming to achieve the operational excellence in the spheres of production, sales, logistics, financial management and organizational improvement, and becoming one of the most successful and efficient oil companies in Central and Eastern Europe.

Chairman of the Board of Directors
Ireneusz Fąfara

Key indicators:

Indicator	2006	2007	2008	2009	2010
EBITDA, MM USD	109.1	64.6	81.0	100.4	103.8
Net profit (loss), MM LTL	197.0	89.7	55.1	(85.3)	(81.9)
Net profit (loss), MM USD	67.9	35.5	23.4	(34.4)	(31.4)
Return on assets	0.04 USD	0.02 USD	0.013 USD	(0.018 USD)	(0.017 USD)
Return on equity	0.09 USD	0.04 USD	0.028 USD	(0.043 USD)	(0.042 USD)
Long-term debt to equity ratio	0.60	0.58	0.48	0.36	0.23
Current ratio	2.55	1.32	0.98	0.86	0.84
Asset turnover ratio	2.69	1.75	4.04	2.29	3.13
Net Debt to equity ratio	0.03	0.63	0.72	0.59	0.35
Revenues, billion LTL	11.2	8.8	17.6	10.8	15.1
Revenues, billion USD	4.3	3.5	7.5	4.3	5.8

Consolidated statement of financial position

	Note	31 December 2010		31 December 2009	
ASSETS		USD	LTL	USD	LTL
Property, plant and equipment	5	988,152	2,578,978	1,091,655	2,625,646
Intangible assets	6	21,628	56,448	12,138	29,195
Investments into equity-accounted investees	7	1,646	4,295	1,624	3,907
Other investments	8	-	-	1,411	3,394
Deferred tax assets	9	65,611	171,239	79,387	190,941
Long-term receivables and prepayments	10	2,536	6,620	1,956	4,706
Total non-current assets		1,079,573	2,817,580	1,188,171	2,857,789
Inventories	11	443,381	1,157,178	380,459	915,076
Trade-related and other receivables	12	275,765	719,722	191,946	461,670
Other investments including derivatives	13	11,765	30,704	371	892
Cash and cash equivalents	14	34,687	90,530	133,609	321,357
Non-current assets held for sale		3,724	9,720	378	910
Total current assets		769,322	2,007,854	706,763	1,699,905
Total assets		1,848,895	4,825,434	1,894,934	4,557,694
EQUITY					
Share capital	15	181,886	708,821	181,886	708,821
Share premium		77,507	295,548	77,507	295,548
Reserves	15	27,662	74,073	27,635	74,002
Currency translation reserve		2,338	(242,489)	4,788	(397,722)
Retained earnings (of previous years)		466,334	1,136,421	498,595	1,220,448
Total equity		755,727	1,972,374	790,411	1,901,097
LIABILITIES					
Loans and borrowings	17	164,598	429,584	275,119	661,717
Long-term employee benefits	18	7,359	19,207	7,298	17,554
Long-term provisions	19	3,000	7,829	4,070	9,789
Provision for deferred tax		3	9	-	-
Total long-term liabilities		174,960	456,629	286,487	689,060
Trade-related and other payables	20	724,816	1,891,697	450,713	1,084,050
Loans and borrowings	17	136,739	356,874	322,318	775,240
Short-term provisions	19	56,653	147,860	45,005	108,247
Total short-term liabilities		918,208	2,396,431	818,036	1,967,537
Total liabilities		1,093,168	2,853,060	1,104,523	2,656,597
Total equity and liabilities		1,848,895	4,825,434	1,894,934	4,557,694

The consolidated financial statements set out on pages 9 to 55 were approved by the General Director and the Chief Financial Officer on 25 March 2011

Ireneusz Fąfara
General Director

Jaroslaw Szalinski
Chief Financial Officer

Consolidated statement of comprehensive income

	Note	31 December 2010		31 December 2009	
		USD	LTL	USD	LTL
Income		5,785,722	15,081,641	4,298,113	10,671,354
Costs of sales	21	(5,531,717)	(14,419,528)	(4,078,043)	(10,124,965)
Gross profit		254,005	662,113	220,070	546,389
Other income	22	23,907	62,318	26,054	64,684
Selling and marketing costs	21	(152,185)	(396,701)	(153,775)	(381,791)
Administrative expenses	21	(69,396)	(180,894)	(77,396)	(192,158)
Other costs	22	(45,048)	(117,427)	(13,728)	(34,083)
Profit from operations		11,283	29,409	1,225	3,041
Financial income	23	1,173	3,057	5,339	13,255
Financial costs	23	(29,806)	(77,697)	(26,164)	(64,960)
Total financial activity		(28,633)	(74,640)	(20,825)	(51,705)
Share of profit (loss) of equity-accounted investees	7	149	387	12	31
Profit (loss) before income tax		(17,201)	(44,844)	(19,588)	(48,633)
Income tax	24	(14,218)	(37,063)	(14,770)	(36,671)
Profit (loss) from continuing operations		(31,419)	(81,907)	(34,358)	(85,304)
Other comprehensive income (loss)					
Foreign currency translation differences of foreign operations		(3,265)	153,184	483	(33,641)
Other comprehensive income (loss) (net of income tax)		(3,265)	153,184	483	(33,641)
Total comprehensive income (loss) for the period		(34,684)	71,277	(33,875)	(118,945)
Profit (loss) for the period attributable to:					
Shareholders of the Parent Company		(31,419)	(81,907)	(34,358)	(85,304)
Profit (loss) for the period		(31,419)	(81,907)	(34,358)	(85,304)
Total comprehensive income (loss) for the period					
Shareholders of the Parent Company		(34,684)	71,277	(33,875)	(118,945)
Profit (loss) for the period		(34,684)	71,277	(33,875)	(118,945)
Earnings per share for profit (loss) for the period attributable to the shareholders of the Parent Company					
ordinary shares	16	(0,04)	(0,12)	(0,05)	(0,12)

Ireneusz Fąfara
General Director

Jaroslaw Szalinski
Chief Financial Officer

Consolidated statement of changes in equity (thousand USD)

	Attributable to the shareholders of the Parent Company								
	Share capital	Share premium	Revaluation reserve	Legal reserve	Cumulative currency translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	181,886	77,507	109	18,526	7,696	538,576	824,300	52	824,352
Loss for the year	-	-	-	-	-	(34,358)	(34,358)	-	(34,358)
Transfer of cumulative translation differences after liquidation of subsidiary	-	-	-	-	(3,377)	3,377	-	-	-
Foreign currency translation differences of foreign operations	-	-	-	-	469	-	469	14	483
Total comprehensive income (loss) for the year	-	-	-	-	(2,908)	(30,981)	(33,889)	14	(33,875)
Transferred to legal reserve	-	-	-	9,000	-	(9,000)	-	-	-
Shares acquired from non controlling interest	-	-	-	-	-	-	-	(66)	(66)
Transactions with shareholders	-	-	-	9,000	-	(9,000)	-	(66)	(66)
Balance at 31 December 2009	181,886	77,507	109	27,526	4,788	498,595	790,411	-	790,411
Balance at 1 January 2010	181,886	77,507	109	27,526	4,788	498,595	790,411	-	790,411
Loss for the year	-	-	-	-		(31,419)	(31,419)	-	(31,419)
Transfer of cumulative translation differences after liquidation of subsidiary	-	-	-	-	19	(19)	-	-	-
Transfer of cumulative translation differences on payment of the total cumulative result of the previous year by way of dividends	-	-	-	-	796	(796)	-	-	-
Foreign currency translation differences of foreign operations	-	-	-	-	(3,265)	-	(3,265)	-	(3,265)
Total comprehensive income (loss) for the year	-	-	-	-	(2,450)	(32,234)	(34,684)	-	(34,684)
Transferred to legal reserve	-	-	-	27	-	(27)	-	-	-
Transactions with shareholders	-	-	-	27	-	(27)	-	-	-
Balance at 31 December 2010	181,886	77,507	109	27,553	2,338	466,334	755,727	-	755,727

Ireneusz Fąfara
General Director

Jaroslaw Szalinski
Chief Financial Officer

Consolidated statement of changes in equity (thousand Litas)

	Attributable to the shareholders of the Parent Company								
	Share capital	Share premium	Reva-luation reserve	Legal reserve	Cumulative currency translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	708,821	295,548	437	49,774	(352,226)	1,317,738	2,020,092	127	2,020,219
Loss for the year	-	-	-	-	-	(85,304)	(85,304)	-	(85,304)
Transfer of cumulative translation differences after liquidation of subsidiary	-	-	-	-	(11,805)	11,805	-	-	-
Foreign currency translation differences of foreign operations	-	-	-	-	(33,691)	-	(33,691)	50	(33,641)
Total comprehensive income (loss) for the year	-	-	-	-	(45,496)	(73,499)	(118,995)	50	(118,945)
Transferred to legal reserve	-	-	-	23,791	-	(23,791)	-	-	-
Shares acquired from non controlling interest	-	-	-	-	-	-	-	(177)	(177)
Transactions with shareholders	-	-	-	23,791	-	(23,791)	-	(177)	(177)
Balance at 31 December 2009	708,821	295,548	437	73,565	(397,722)	1,220,448	1,901,097	-	1,901,097
Balance at 1 January 2010	708,821	295,548	437	73,565	(397,722)	1,220,448	1,901,097	-	1,901,097
Loss for the year						(81,907)	(81,907)		(81,907)
Transfer of cumulative translation differences after liquidation of subsidiary	-	-	-	-	50	(50)	-	-	-
Transfer of cumulative translation differences on payment of the total cumulative result of the previous year by way of dividends	-	-	-	-	1,999	(1,999)	-	-	-
Foreign currency translation differences of foreign operations	-	-	-	-	153,184	-	153,184	-	153,184
Total comprehensive income (loss) for the year	-	-	-	-	155,233	(83,956)	71,277	-	71,277
Transferred to legal reserve	-	-	-	71	-	(71)	-	-	-
Transactions with shareholders	-	-	-	71	-	(71)	-	-	-
Balance at 31 December 2010	708,821	295,548	437	73,636	(242,489)	1,136,421	1,972,374	-	1,972,374

Ireneusz Fąfara

General Director

Jaroslaw Szalinski

Chief Financial Officer

Consolidated statement of cash flows

	Note	2010		2009	
		USD	LTL	USD	LTL
Profit (loss) for the period		(31,419)	(81,907)	(34,358)	(85,304)
Adjustments:					
- depreciation	5	91,543	238,624	79,656	197,771
- amortisation	6	995	2,594	904	2,244
- impairment of property, plant and equipment	5	20,222	52,713	376	934
- reversal of impairment of property, plant and equipment	5	(4,116)	(10,730)	(800)	(1,986)
- write off of property, plant and equipment	5	2,325	6,061	1,447	3,593
- write-off of intangible assets	6	36,897	96,179	23,421	58,150
- impairment of intangible assets	6	2,993	7,801	181	449
- reversal of intangible assets impairment	6	(6)	(15)	-	-
- fair value of granted emission allowances	6	(43,099)	(112,347)	(64,751)	(159,538)
- fair value of granted emission allowances used	6	36,478	95,089	41,330	102,614
- interest expenses	23	22,467	58,564	22,804	56,618
- interest income	23	(1,171)	(3,053)	(3,784)	(9,394)
- currency conversion differences		716	48,407	(564)	(10,493)
- profit (loss) from investments into equity-accounted investees	7	(149)	(387)	(12)	(31)
- (profit) loss from disposal of property, plant and equipment		(40,588)	(105,545)	(32,993)	(81,915)
- income tax expenses	24	14,218	37,063	14,770	36,671
		108,306	329,111	47,627	110,383
- change in inventories		(59,587)	(233,498)	(110,860)	(254,637)
- change in trade and other receivables		(83,574)	(257,760)	47,007	124,591
- change in other investments including derivatives		371	892	(371)	(892)
- change in trade and other payables		275,772	809,030	145,245	334,720
- net change in provisions	19	10,578	37,653	35,793	85,487
Cash flows from operating activity		251,866	685,428	164,441	399,652
Interest paid		(22,916)	(59,734)	(25,540)	(63,411)
Income tax paid		(1,139)	(2,969)	(1,715)	(4,257)
Net cash flows from operating activity		227,811	622,725	137,186	331,984
Investing activity					
Interest received		1,032	2,689	4,144	10,288
Proceeds from sale of property, plant and equipment and intangible assets		40,965	106,529	34,977	86,841
Acquisition of shares from non-controlling interest		-	-	(66)	(177)
Purchases of property, plant and equipment		(16,989)	(43,530)	(54,705)	(136,277)
Purchases of intangible assets		(1,200)	(3,128)	(1,437)	(3,567)
Purchases of emission allowances		(42,598)	(111,041)	-	-
Acquisition of other investments (term deposits)		(10,354)	(27,310)	(1,411)	(3,394)
Net cash flows from investing activity		(29,144)	(75,791)	(18,498)	(46,286)
Financing activity					
Credits raised		2,315,169	6,034,952	1,994,981	4,953,140
Repayment of loans borrowings		(2,610,815)	(6,805,612)	(2,074,176)	(5,149,765)
Net cash flows from financing activity		(295,646)	(770,660)	(79,195)	(196,625)
Net increase in cash and cash equivalents		(96,978)	(223,726)	39,493	89,073
Cash and cash equivalents at the beginning of the period	14	133,609	321,357	93,056	228,050
Effect of exchange gains (losses) on cash and cash equivalents		(1,944)	(7,101)	1,060	4,234
Cash and cash equivalents at the end of the period		34,687	90,530	133,609	321,357

Ireneusz Fąfara
General Director

Jaroslaw Szalinski
Chief Financial Officer

1. Reporting entity (Group)

As of 1 September 2009 AB Mažeikių Nafta changed its name into Public Company ORLEN Lietuva. Public Company ORLEN Lietuva (hereinafter – the Parent company) is incorporated and domiciled in Lithuania. Its registered office is located at the address: Juodeikiai, LT-89467 Mažeikiai distr., Republic of Lithuania. The Parent company comprises an oil refinery enterprise in Mažeikiai operating since 1980, the Būtingė terminal operating since 1999, and an oil pumping station in Biržai operating since 1970.
The consolidated financial statements as at 31 December 2010 include the Parent company and subsidiary companies. Parent company also prepares separate financial statement.

The consolidated group (hereinafter "the Group") consists of the Parent company and its eight subsidiaries (nine subsidiaries in 2009). The Group has one associate which is accounted for at equity method. The subsidiaries and the associate included into the Group's consolidated financial statements are listed below:

Subsidiary/associated company	Established in	Year of establishment/ acquisition	Share of the Group (%)		Nature of activity
			31 Dec 2010	31 Dec 2009	
Subsidiaries					
AB Ventus nafta	Lithuania	2002	100	100	Retail trade in petroleum products.
UAB Mažeikių Nafta Trading House	Lithuania	2003	100	100	Company's trading agent in Lithuania.*
SIA Mazeikiu Nafta Tirdcniecibas Nams	Latvia	2003	100	100	Wholesale trading in petroleum products in Latvia. This company is a subsidiary of UAB Mazeikiu Nafta Trading House which holds 100 percent of shares of this company.
OU Mazeikiu Nafta Trading House	Estonia	2003	100	100	Wholesale trading in petroleum products in Latvia. This company is a subsidiary of UAB Mazeikiu Nafta Trading House which holds 100 percent of shares of this company.
Sp.z.o.o. Mazeikiu Nafta Trading House	Poland	2003	100	100	The company is in liquidation process.
UAB Mažeikių Naftos sveikatos priežiūros centras	Lithuania	2007	100	100	Provides services in relation to health care, training, hygienic assessment of work places and other related services.
UAB Paslaugos tau	Lithuania	2008	100	100	Cleaning of premises, maintenance of territory.
UAB Remonto mechanikos centras	Lithuania	2009	-	100	Liquidated.
UAB EMAS	Lithuania	2009	100	100	Installation, supervision, repair of electrical equipment and related services.
Associated company					
UAB „Naftelf"	Lithuania	1996	34	34	Trading in aviation fuel and construction of storage facilities thereof.

*From June 2008 the main activity of the company as well the major part of employees were transferred to the parent company. Based on the plans of the main shareholder and the company's management, there is no intention to engage in selling of oil products and mediation services in the near future.

2. Basis of preparation

The main accounting policies have been applied in preparation of these consolidated financial statements. The accounting policies were consistently applied to all the annual periods presented. Except as noted in note 3.18 in the introduction of mandatory new applicable IFRS as adopted by the EU.

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The management of the Parent company is authorised to issue the consolidated financial statements of the Group after they are approved by the general shareholders meeting, which must be convened by 1 May 2011 as prescribed by the Companies Law of the Republic of Lithuania.

2.2 Basis of measurement

The consolidated financial statements of the Group have been prepared on historical cost basis, except for the following items of the statement of financial position:
Derivative financial instruments are stated at fair value
Financial instruments carried at fair value through profit (loss), are stated at fair value
Other investments stated at amortized costs
Emission allowances granted for free are stated at fair value

It is necessary to make critical accounting estimates when preparing financial statements under the requirements of IFRS. The management also has to adopt the decisions regarding application of accounting policy of the Group. Areas, where important and complex decisions have to be adopted as well as the areas, where assumptions are made and accounting estimates are applied, and make significant impact on consolidated financial statements are described in Notes 5 (Property, plant and equipment), 6 (Intangible assets), 9 (Deferred income tax), 11 (Inventory), 12 (Trade and other receivables), 18 (Long-term employee benefits), 19 (Provisions).

2.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is the US dollar (USD) as it mainly influences sales prices for goods and services and material costs, the funds from financing activities are mainly generated in the USD and the Company retains the major part of receipts from its operating activities in the USD. A significant portion of the Company's business is conducted in US dollars and management uses the USD to manage business risks and exposures and to measure performance of the business.

The consolidated financial statements are presented in US dollars, which is the Company's functional currency, and, due to the requirements of the laws of the Republic of Lithuania, in Lithuanian Litas (LTL) which is the Parent company's additional presentation currency. Since 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1. As at 31 December 2010 the exchange rate of US Dollar to Lithuanian Litas was USD 1 = 2,6099 LTL, the average annual exchange rate was 1 US Dollar = 2,6067 LTL (2009 : 1 US Dollar = 2,4052 LTL, the average annual rate – 1 US Dollar = 2,4828 LTL).

The financial statements of the Group, prepared in US dollars, the functional currency of the parent company, are translated to presentation currency, Lithuanian Litas by using period end exchange rate for translation of assets and liabilities and average exchange rate for the year for translation of income and expenses (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions). All resulting exchange differences are recognized as cumulative translation adjustments as other comprehensive income.

2.4 Changes in accounting policy

In 2010 the Group changed its emission allowances accounting policy and applied it retrospectively. In 2010 emission allowances are started to be accounted at a fair value. For the emission allowances value of the stocks the company is setting the FIFO method. Emission allowances transactions for 2009 were recalculated by the accounting policy changed in 2010 and data for 2009 was changed in financial statements. Impact on 2009 figures was immaterial.

3. Significant accounting policies

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and non controlling interest

The Group applies a policy of treating transactions with non controlling interest as transactions with parties external to the Group. Disposals to non controlling interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from non controlling interest result in goodwill, being the difference between any considerations paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Foreign currency translation

(a) 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/losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the profit/loss statement, except when deferred in equity as qualifying cash flow hedges and net investment hedges.

(b) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy as its functional currency) that have a functional currency different from the Company's functional currency USD being a presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(iii) all resulting exchange differences are recognized as a separate component of statement of comprehensive income (foreign currency translation differences of foreign operations).

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When subsidiary is sold, exchange differences that were recorded in equity are recognized in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a subsidiary are treated as assets and liabilities of the subsidiary and translated at the closing rate.

3.3 Property, plant and equipment

(a) Recognition and valuation

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation and impairment. Land is stated at cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the during the financial period in which they are incurred.

Borrowing costs incurred for the construction of any qualifying assets are capitalized and accounted for in the value of the assets.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. The loss arising from the retirement is included in the statement of comprehensive income when the asset is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.3 Property, plant and equipment (continued)

(b) Depreciation

Depreciation on assets, except for catalysts which are depreciated using the unit of output method, is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

- buildings 20-90 years
- oil refinery technological equipment 5-25 years
- oil refinery constructions 15-70 years
- oil terminal sea equipment 25 years
- vehicles 5-10 years
- railway transport 13-20 years
- engineering network and systems 4-50 years
- household inventory, tools and equipment 3-40 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

3.4 Intangible assets

Intangible assets (IA).

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately on the statement of financial position. Goodwill on acquisitions of associates is included in the carrying value of investments in associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the Group's investment by each primary reporting segment.

(b) Patents and licenses

Patents and licenses include acquired patents and licenses for manufacturing technology used by the refinery. Patents and licenses are recognized at cost. They have a finite useful life and are carried at cost less accumulated amortization less impairment. Amortization is calculated using the straight-line method to allocate the cost of patents and licenses over their estimated useful lives (4 years).

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 5 years).

(d) Emission allowances

The Group participates in emission allowances cap and trade scheme. It is set a target to reduce its emissions of carbon dioxide to a specified level (the cap). The Group is issued allowances equal in number to its cap by the Government. Allowances are issued free of charge.

3.4 Intangible assets (continued)

Granted emission allowances is presented as separate items as intangible assets in correspondence with deferred income at fair value at the date of registration. A fair value of allowances is determined by the exchange quotations at the European market: Bluenext. Purchased allowances are presented as intangible assets at purchase price. Liability (provision) concerning environmental fees is regulated by amortization of granted/purchased allowances. Outgoing of allowances is recognized with regard to FIFO method (first in, first out). The allowances recognized in intangible assets are amortized in book value of the provision, as its settlement.

The sale transaction of allowances is recognized in accordance with the principle of the sale of other intangible assets. Profit/loss on sale of allowances set as the difference between selling price and its book value is recognized as other operating income or costs.

3.5 Impairment

a) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers.

b) Loan and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

c) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate asset

3.5 Impairment (continued)

are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.6 Financial assets

The Group classifies its financial assets in the following categories for measurement purposes: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired, management intentions and whether the investment is quoted in an active market. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, except for financial assets at fair value through profit or loss. Reclassifications out of or into this category after initial recognition are prohibited.

(a) Financial assets at fair value through profit or loss

Based on the decision of the Group management, financial assets and financial liabilities are attributed to this category at the moment of initial recognition if the following requirements are met:
-such allocation eliminates or materially decreases the differences which would arise from application of different valuation principles on assets and liabilities and, accordingly, different recognition principles on profit or loss;
-assets and liabilities belong to the group of financial assets, financial liabilities or both, which are valued at fair value based on the risk management and investing strategy grounded by documentation;
-a financial instrument includes an imbedded derivative unless the imbedded derivate does not materially change cash flows, or it is obvious that without detailed valuation it would not be accounted for separately.

Financial assets and financial liabilities, stated at fair value in the statement of comprehensive income, are presented in the statement of financial position at fair value. Gain or loss arising from revaluation is recorded directly in the statement of comprehensive income. Interest income and expenses on these investments as well as dividends are recognised as corresponding interest income or interest expenses.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and management has no intention to trade. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets and are included in non-current receivables and prepayments in the statement of financial position. Loans and receivables are included in trade and other receivables in the statement of financial position.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group did not hold any investments in this category during the period.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the date of reporting in which case they are included in current assets.

3.6 Financial assets (continued)

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. All financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Under the effective interest method, interest expense is based on the increasing (for discounts) or decreasing (for premiums) book value of the amount. The total interest expense for each interest period is the carrying amount (book value) of the loans and receivables and held-to-maturity investments at the start of that period multiplied by the effective interest rate. The amount of amortization of the loans and receivables and held-to-maturity investments discount or premium is the difference between the total (effective) interest expense for the period and the accrued nominal interest. As the carrying amount changes each period by the amount of amortized discount or premium, interest expense either increases (for discounts) or decreases (for premiums) over the life of the loans and receivables and held-to-maturity investments.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between currency translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The currency translation differences on monetary securities are recognised in profit or loss. Interest income on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized through other comprehensive income are included in the statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting date whether there is objective evidence that a financial assets or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in the statement of comprehensive income. Impairment testing of trade receivables is described.

3.7 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Non-current assets classified as held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that is expected to be recovered primarily through sale rather than through continuing use is classified as held for sale. Immediately before classification as held for sale, the asset (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any

3.8 Non-current assets classified as held for sale (continued)

impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.9 Cash and cash equivalents

For the purposes of the statement of cash flows cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.10 Share capital

Ordinary shares are classified as equity. Share premium is the difference between issue price and nominal value of the shares.

3.11 Trade and other payables

Trade payables and other payables are accrued when the counterparty performed its obligations under the contract and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Short term payables are not discounted.

3.12 Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the amount at initial recognition and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

3.13 Current tax and deferred income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
temporary differences related to investments in subsidiary to the extent that it is probable that they will not reverse in the foreseeable future.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Employee benefits

(a) Long-term employee benefits

Some Group companies provide bonuses and paid leave to their employees based on the years of service. The liability recognised in the statement of financial position in respect of long-term employee benefits is the present value of the defined benefit obligation at reporting date. The defined benefit obligation is calculated at each reporting date by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related liability.

Actuarial gains and losses are recognised immediately in the income and no “corridor” is applied. All past service costs are recognised immediately.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Other employee benefits

Wages, salaries, contributions to the state social insurance funds, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by the employees of the Group.

3.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.16 Segments

Segment is a part of the Group engaged in the activity from which the Group generates income and incurs costs, including those related to transactions with any other part of the Group. Operating results of all the segments are reviewed by the Group‘s management on a regular basis in order to make decisions regarding resources attributable to a segment and to evaluate its operating results.

3.17 New IFRS standards and interpretations

a) Not yet adopted standards

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Group's financial statements in accounting periods beginning after 1 January 2011. The Group has decided not to apply the amendments and new standards and interpretations early. Below is the estimate of the Group's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- Revised IAS 24 *Related Party Disclosure*
  Revised IAS 24 is effective for annual periods beginning on or after 1 January 2011. The amendment exempts government-related entities from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

  Revised IAS 24 is not expected to result in new relations requiring disclosure in the financial statements.

- Amendment to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
  The amendment is effective for annual periods beginning on or after 1 January 2011. The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). The management of the Group is considering the impact of the amendments to IFRIC 14 on the financial statements for 2011. The amendment is not applied early.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
  IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
  The amendment is effective for annual periods beginning on or after 1 February 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.

b) The impact of already adopted standards

The accounting policies applied by the Group coincide with the accounting policies of the previous year, except that the Group has implemented those new/revised standards and their interpretations, which are mandatory for financial periods starting on or after 1 January 2010 and which are relevant to the Group's activity:

- Amendments to IFRS 3 Business combinations is applicable for annual periods beginning on or after 1 July 2009. The Standard's scope of application was amended and the description of the purpose was expanded. The amendments to IFRS 3 are not relevant to the Group's consolidated financial statements.

- Amendment to IAS 27 Consolidated and separate Financial Statements is effective for annual periods beginning on or after 1 July 2009. In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as „the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The amendment to IAS 27 was adopted in those consolidated financial statements.

3.17 New IFRS standards and interpretations (continued)

- Amendment to IAS 32 Financial Instruments: Presentation is effective for annual periods beginning on or after 1 July 2009. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments.

- The amended to IAS 39 Financial Instruments: Recognition and Measurement clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. Amended IAS 39 is effective for annual periods beginning on or after 1 July 2009. The amendments to IAS 39 have no impact on Group's hedging arrangements.

3.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier or to a specified destination, is transferred from the Group to the buyer in accordance with the standardised terms and conditions of sale (Incoterms) agreed with the buyer, and collectability of the related receivables is reasonably assured. Excise taxes collected by the Group on behalf of the state are excluded from sales revenue.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3.19 Leases – the Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The interest element of the finance cost is charged to the statement of comprehensive incomeover the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter lease term if the Group is not reasonably certain that it will obtain ownership of the assets.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Parent company.

3.21 Government grants

Monetary grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Non-monetary government grants are recognised at their nominal amount.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

4. Segment information

(a) Primary reporting format – business segments

The Group has three reportable segments: oil refinery and wholesale, retail sales, and business maintenance and administration.

The segment of oil refinery and wholesale includes production and trade divisions of the Parent company: UAB Mažeikių Nafta Trading House, SIA Mazeikiu Nafta Tirdcniecibas Nams, OU Mazeikiu Nafta Trading House, Sp.z.o.o.Mazeikiu Nafta Trading House, UAB EMAS, UAB Paslaugos tau, UAB Remonto Mechanikos Centras.

The segment of retail sales includes a net of 26 own gas stations of AB Ventus Nafta in Lithuania and 9 gas stations governed under franchise agreements.

The segment of business maintenance and administration includes the Parent company's divisions of business maintenance and administration and the UAB Mažeikių Naftos sveikatos priežiūros centras.

4. Segment information (continued)

The segment results for the year ended 31 December 2010 are as follows:

USD	Oil refinery and wholesale	Retail sales	Business maintenance and administration	Not allocated	Group
External income	5,746,573	58,123	4,933	-	5,809,629
Income among segments	36,085	357	850	-	37,292
					-
Depreciation and amortisation (Notes 5-6)	(87,122)	(2,422)	(2,994)	-	(92,538)
Profit (loss) from operations	56,965	288	(45,970)	-	11,283
Financial income (Note 23)	-	-	-	-	1,173
Financial costs (Note 23)	-	-	-	-	(29,806)
Share of profit (loss) of equity-accounted investees	149	-	-	-	149
Profit (loss) for the period before income tax	-	-	-	-	(17,201)
Impairment of PPE and IA (Notes 5-6)	(19,987)	(3,228)	-	-	(23,215)
Reversal of impairment of PPE and IA (Notes 5-6)	408	3,714	-	-	4,122
Assets	1,716,035	31,467	30,682	69,065	1,847,249
Investments into equity-accounted investees (Note 7)	1,646	-	-	-	1,646
Capital investments (Note 5-6)	59,233	207	203	-	59,643
Liabilities	786,701	3,510	1,511	301,446	1,093,168

LTL	Oil refinery and wholesale	Retail sales	Business maintenance and administration	Not allocated	Group
External income	14,979,591	151,509	12,859	-	15,143,959
Income among segments	94,063	931	2,216	-	97,210
Depreciation and amortisation (Notes 5-6)	(227,101)	(6,313)	(7,804)	-	(241,218)
Profit (loss) from operations	145,791	750	(117,132)	-	29,409
Financial income (Note 23)	-	-	-	-	3,057
Financial costs (Note 23)	-	-	-	-	(77,697)
Share of profit (loss) of equity-accounted investees	387	-	-	-	387
Profit (loss) for the period before income tax	-	-	-	-	(44,844)
Impairment of PPE and IA (Notes 5-6)	(52,101)	(8,413)	-	-	(60,514)
Reversal of impairment of PPE and IA (Notes 5-6)	1,063	9,682	-	-	10,745
Assets	4,478,683	82,126	80,078	180,252	4,821,139
Investments into equity-accounted investees (Note 7)	4,295	-	-	-	4,295
Capital investments (Note 5-6)	154,405	539	528	-	155,472
Liabilities	2,053,212	9,161	3,943	786,744	2,853,060

4. Segment information (continued)

The segment results for the year ended 31 December 2009 are as follows:

USD	Oil refinery and wholesale	Retail sales	Business maintenance and administration	Not allocated	Group
External income	4,271,979	47,741	4,447	-	4,324,167
Income among segments	29,754	536	1,155	-	31,445
Depreciation and amortisation (Notes 5-6)	(74,470)	(3,048)	(3,042)	-	(80,560)
Profit (loss) from operations	87,528	(963)	(85,340)	-	1,225
Financial income (Note 23)	-	-	-	-	5,339
Financial costs (Note 23)	-	-	-	-	(26,164)
Share of profit (loss) of equity-accounted investees	12	-	-	-	12
Profit (loss) for the period before income tax	-	-	-	-	(19,588)
Impairment of PPE and IA (Notes 5-6)	(557)	-	-	-	(557)
Reversal of impairment of PPE and IA (Notes 5-6)	754	46	-	-	800
Assets	1,745,766	34,874	28,762	83,908	1,893,310
Investments into equity-accounted investees (Note 7)	1,624	-	-	-	1,624
Capital investments (Note 5-6)	59,465	2,292	2,046	-	63,803
Liabilities	502,905	2,795	1,266	597,557	1,104,523

LTL	Oil refinery and wholesale	Retail sales	Business maintenance and administration	Not allocated	Group
External income	10,606,466	118,531	11,041	-	10,736,038
Income among segments	73,873	1,331	2,868	-	78,072
Depreciation and amortisation (Notes 5-6)	(184,894)	(7,568)	(7,553)	-	(200,015)
Profit (loss) from operations	217,314	(2,391)	(211,882)	-	3,041
Financial income (Note 23)	-	-	-	-	13,255
Financial costs (Note 23)	-	-	-	-	(64,960)
Share of profit (loss) of equity-accounted investees	31	-	-	-	31
Profit (loss) for the period before income tax	-	-	-	-	(48,633)
Impairment of PPE and IA (Notes 5-6)	(1,383)	-	-	-	(1,383)
Reversal of impairment of PPE and IA (Notes 5-6)	1,872	114	-	-	1,986
Assets	4,198,915	83,879	69,178	201,815	4,553,787
Investments into equity-accounted investees (Note 7)	3,907	-	-	-	3,907
Capital investments (Note 5-6)	147,641	5,691	5,079	-	158,411
Liabilities	1,209,585	6,723	3,045	1,437,244	2,656,597

4. Segment information (continued)

(b) Secondary reporting format – geographical segments

Income is allocated per countries in which the customer is located.

Income per countries	2010		2009	
	USD	LTL	USD	LTL
Baltic countries	1,791,489	4,669,875	1,666,585	4,137,796
Other EU countries	1,283,399	3,345,435	1,321,835	3,281,853
Other countries	2,710,834	7,066,331	1,309,693	3,251,705
Total income	5,785,722	15,081,641	4,298,113	10,671,354

Allocation of assets and capital investments as per geographical segments is based on the location place of the mentio-ned assets.

Aseets	2010		2009	
	USD	LTL	USD	LTL
Lithuania	1,730,406	4,516,191	1,733,679	4,169,843
Other countries	47,778	124,696	75,723	182,129
	1,778,184	4,640,887	1,809,402	4,351,972
Investments into equity-accounted investees (Note 7)	1,646	4,295	1,624	3,907
Not allocated assets	69,065	180,252	83,908	201,815
Total assets	1,848,895	4,825,434	1,894,934	4,557,694

Capital investments	2010		2009	
	USD	LTL	USD	LTL
Lithuania	59,626	155,427	63,731	158,233
Other countries	17	45	72	178
Total capital investments	59,643	155,472	63,803	158,411

Analysis of income per groups	2010		2009	
	USD	LTL	USD	LTL
Income from goods	5,760,824	15,016,738	4,273,343	10,609,856
Income from services	24,898	64,903	24,770	61,498
Total income	5,785,722	15,081,641	4,298,113	10,671,354

5. Property, plant and equipment

USD	Land and buildings	Plant and machinery	Other tangible noncurrent assets	Construction in progress	Total
Acquisition costs					
Balance as of 1 January 2009	94,963	1,171,427	109,875	240,774	1,617,039
Acquisitions	2,328	33,762	2,803	23,473	62,366
Disposals/write-offs	(16)	(5,845)	(14,435)	(2,006)	(22,302)
Reclassification among groups	1,678	176,332	16,364	(194,374)	-
Reclassified from/to other assets	1,408	8,034	(2,121)	(17)	7,304
Currency exchange differences	499	336	268	40	1,143
Balance as of 31 December 2009	100,860	1,384,046	112,754	67,890	1,665,550
Balance as of 1 January 2010	100,860	1,384,046	112,754	67,890	1,665,550
Acquisitions	93	6,187	428	9,137	15,845
Disposals/write-offs	(46)	(1,655)	(3,669)	(1,549)	(6,919)
Reclassification among groups	158	14,948	(726)	(14,380)	-
Reclassified from/to other assets	(3)	(11,625)	(1,734)	-	(13,362)
Currency exchange differences	(2,246)	(1,455)	(1,018)	(46)	(4,765)
Balance as of 31 December 2010	98,816	1,390,446	106,035	61,052	1,656,349
Depreciation and impairment					
Balance as of 1 January 2009	(41,011)	(415,681)	(40,916)	(5,803)	(503,411)
Depreciation for the year	(2,932)	(63,375)	(13,349)	-	(79,656)
Impairment for the year	-	-	-	(376)	(376)
Reversal of impairment	-	789	11	-	800
Disposals/write-offs	15	5,694	2,006	669	8,384
Reclassification among groups	-	(11)	11	-	-
Reclassified from/to other assets	(124)	(766)	1,866	-	976
Currency exchange differences	(237)	(225)	(140)	(10)	(612)
Balance as of 31 December 2009	(44,289)	(473,575)	(50,511)	(5,520)	(573,895)
Balance as of 1 January 2010	(44,289)	(473,575)	(50,511)	(5,520)	(573,895)
Depreciation for the year	(2,655)	(73,335)	(15,553)	-	(91,543)
Impairment for the year	(2,335)	(3,523)	(1,231)	(13,133)	(20,222)
Reversal of impairment	1,577	2,065	474	-	4,116
Disposals/write-offs	28	976	3,590	-	4,594
Reclassified from/to other assets	3	4,676	1,625	-	6,304
Currency exchange differences	949	893	563	44	2,449
Balance as of 31 December 2010	(46,722)	(541,823)	(61,043)	(18,609)	(668,197)
Book value					
1 January 2009	53,952	755,746	68,959	234,971	1,113,628
31 December 2009	56,571	910,471	62,243	62,370	1,091,655
1 January 2010	56,571	910,471	62,243	62,370	1,091,655
31 December 2010	52,094	848,623	44,992	42,443	988,152

5. Property, plant and equipment (continued)

LTL	Land and buildings	Plant and machinery	Other tangible noncurrent assets	Construction in progress	Total
Acquisition costs					
Balance as of 1 January 2009	232,724	2,870,792	269,270	590,060	3,962,846
Acquisitions	5,780	83,824	6,959	58,281	154,844
Disposals/write-offs	(40)	(14,513)	(35,839)	(4,980)	(55,372)
Reclassification among groups	4,165	437,797	40,628	(482,590)	-
Reclassified from/to other assets	3,495	19,947	(5,266)	(43)	18,133
Currency exchange differences	(3,534)	(68,944)	(4,556)	2,562	(74,472)
Balance as of 31 December 2009	242,590	3,328,903	271,196	163,290	4,005,979
Balance as of 1 January 2010	242,590	3,328,903	271,196	163,290	4,005,979
Acquisitions	242	16,128	1,116	23,817	41,303
Disposals/write-offs	(120)	(4,314)	(9,564)	(4,038)	(18,036)
Reclassification among groups	412	38,964	(1,892)	(37,484)	-
Reclassified from/to other assets	(8)	(30,303)	(4,520)	-	(34,831)
Currency exchange differences	14,784	279,547	20,405	13,755	328,491
Balance as of 31 December 2010	257,900	3,628,925	276,741	159,340	4,322,906
Depreciation and impairment					
Balance as of 1 January 2009	(100,505)	(1,018,701)	(100,272)	(14,222)	(1,233,700)
Depreciation for the year	(7,280)	(157,347)	(33,144)	-	(197,771)
Impairment for the year	-	-	-	(934)	(934)
Reversal of impairment	-	1,959	27	-	1,986
Disposals/write-offs	38	14,138	4,982	1,662	20,820
Reclassification among groups	-	(28)	28	-	-
Reclassified from/to other assets	(309)	(1,903)	4,633	-	2,421
Currency exchange differences	1,529	22,843	2,257	216	26,845
Balance as of 31 December 2009	(106,527)	(1,139,039)	(121,489)	(13,278)	(1,380,333)
Balance as of 1 January 2010	(106,527)	(1,139,039)	(121,489)	(13,278)	(1,380,333)
Depreciation for the year	(6,921)	(191,161)	(40,542)	-	(238,624)
Impairment for the year	(6,087)	(9,183)	(3,209)	(34,234)	(52,713)
Reversal of impairment	4,111	5,383	1,236	-	10,730
Disposals/write-offs	73	2,544	9,358	-	11,975
Reclassified from/to other assets	8	12,189	4,236	-	16,433
Currency exchange differences	(6,597)	(94,837)	(8,906)	(1,056)	(111,396)
Balance as of 31 December 2010	(121,940)	(1,414,104)	(159,316)	(48,568)	(1,743,928)
Book value					
1 January 2009	132,219	1,852,091	168,998	575,838	2,729,146
31 December 2009	136,063	2,189,864	149,707	150,012	2,625,646
1 January 2010	136,063	2,189,864	149,707	150,012	2,625,646
31 December 2010	135,960	2,214,821	117,425	110,772	2,578,978

Allocation of depreciation costs:	2010		2009	
	USD	LTL	USD	LTL
Costs of sales	81,198	211,658	69,301	172,064
Selling and marketing costs	5,581	14,547	6,116	15,182
Administrative expenses	4,764	12,419	4,239	10,525
	91,543	238,624	79,656	197,771

5. Property, plant and equipment (continued)

As at 31 December 2010 property, plant and equipment with the net book amount of USD 9 405 thousand or LTL 24 547 thousand (2009 : USD 11 999 thousand or LTL 28 860 thousand) were provided as collateral for bank borrowings.

As at 31 December 2010 capitalised borrowings amounted to USD 477 thousand or LTL 1 245 thousand (2009: USD 3 560 thausand or LTL 8 702 thausand). In 2010 the weighted average of borrowing costs was 0.36% (2009 - 0.35%).

6. Intangible assets

USD	Goodwill	Software	Patents, licenses	Other intangible assets	Emission allowances	Total
Acquisition costs						
Balance as of 1January 2009	2,780	13,608	9,665	166	38,211	64,430
Acquisitions	18	1,376	1	42	-	1,437
Fair value of granted emission allowances	-	-	-	-	26,540	26,540
Disposals/write-offs	-	(53)	-	-	(64,751)	(64,804)
Reclassification among groups	-	27	-	(27)	-	-
Reclassified from/to other assets	-	(6)	23	-	-	17
Currency exchange differences	-	(6)	-	1	-	(5)
Balance as of 31 December 2009	2,798	14,946	9,689	182	-	27,615
Balance as of 1 January 2010	2,798	14,946	9,689	182	-	27,615
Acquisitions	-	733	467	-	42,598	43,798
Fair value of granted emission allowances	-	-	-	-	43,099	43,099
Disposals/write-offs	-	(6)	(29)	-	(73,375)	(73,410)
Currency exchange differences	-	(120)	-	(15)	-	(135)
Balance as of 31 December 2010	2,798	15,553	10,127	167	12,322	40,967
Depreciation and impairment						
Balance as of 1 January 2009	-	(8,418)	(6,042)	-	-	(14,460)
Amortisation for the year	-	(897)	(7)	-	-	(904)
Impairment for the year	-	-	(181)	-	-	(181)
Disposals/write-offs	-	53	-	-	-	53
Currency exchange differences	-	15	-	-	-	15
Balance as of 31 December 2009	-	(9,247)	(6,230)	-	-	(15,477)
Balance as of 1 January 2010	-	(9,247)	(6,230)	-	-	(15,477)
Amortisation for the year	-	(988)	(4)	(3)	-	(995)
Impairment for the year	-	(4)	(2,989)	-	-	(2,993)
Reversal of impairment	-	6	-	-	-	6
Disposals/write-offs	-	6	29	-	-	35
Currency exchange differences	-	85	-	-	-	85
Balance as of 31 December 2010	-	(10,142)	(9,194)	(3)	-	(19,339)
Book value						
1 January 2009	2,780	5,190	3,623	166	38,211	49,970
31 December 2009	2,798	5,699	3,459	182	-	12,138
1 January 2010	2,798	5,699	3,459	182	-	12,138
31 December 2010	2,798	5,411	933	164	12,322	21,628

6. Intangible assets (continued)

LTL	Goodwill	Software	Patents, licenses	Other intangible assets	Emission	Total
Acquisition costs						
Balance as of 1January 2009	6,813	33,348	23,687	408	93,644	157,900
Acquisitions	45	3,416	2	104	-	3,567
Fair value of granted emission allowan-ces	-	-	-	-	65,894	65,894
Disposals/write-offs	-	(132)	-	-	(160,764)	(160,896)
Reclassification among groups	-	68	-	(68)	-	-
Reclassified from/to other assets	-	(15)	58	-	-	43
Currency exchange differences	(129)	(737)	(443)	(7)	1,226	(90)
Balance as of 31 December 2009	6,729	35,948	23,304	437	-	66,418
Balance as of 1 January 2010	6,729	35,948	23,304	437	-	66,418
Acquisitions	-	1,911	1,217	-	111,041	114,169
Fair value of granted emission allowan-ces	-	-	-	-	112,347	112,347
Disposals/write-offs	-	(16)	(76)	-	(191,268)	(191,360)
Currency exchange differences	573	2,750	1,985	-	40	5,348
Balance as of 31 December 2010	7,302	40,593	26,430	437	32,160	106,922
Depreciation and impairment						
Balance as of 1 January 2009	-	(20,630)	(14,807)	-	-	(35,437)
Amortisation for the year	-	(2,227)	(17)	-	-	(2,244)
Impairment for the year	-	-	(449)	-	-	(449)
Disposals/write-offs	-	132	-	-	-	132
Currency exchange differences	-	485	290	-	-	775
Balance as of 31 December 2009	-	(22,240)	(14,983)	-	-	(37,223)
Balance as of 1 January 2010	-	(22,240)	(14,983)	-	-	(37,223)
Amortisation for the year	-	(2,576)	(10)	(8)	-	(2,594)
Impairment for the year	-	(10)	(7,791)	-	-	(7,801)
Reversal of impairment	-	15	-	-	-	15
Disposals/write-offs	-	16	76	-	-	92
Currency exchange differences	-	(1,675)	(1,287)	(1)	-	(2,963)
Balance as of 31 December 2010	-	(26,470)	(23,995)	(9)	-	(50,474)
Book value						
1 January 2009	6,813	12,718	8,880	408	93,644	122,463
31 December 2009	6,729	13,708	8,321	437	-	29,195
1 January 2010	6,729	13,708	8,321	437	-	29,195
31 December 2010	7,302	14,123	2,435	428	32,160	56,448

Allocation of amortisation costs:	2010		2009	
	USD	LTL	USD	LTL
Costs of sales	23	61	21	53
Selling and marketing costs	8	20	4	8
Administrative expenses	964	2,513	879	2,183
	995	2,594	904	2,244

The Group does not have internally generated intangible assets.

7. Investments into equity-accounted investees

	2010		2009	
	USD	LTL	USD	LTL
Beginning of the year	1,624	3,907	1,621	3,972
Exchange differences	(127)	1	(9)	(96)
Share of profit((loss) , net of tax	149	387	12	31
End of the year	1,646	4,295	1,624	3,907

Investments into equity-accounted investees represent an investment in a 34% interest held in Naftelf UAB, incorporated in Lithuania. No dividends were received from the mentioned company in 2010 and 2009.

There were no possibilities to determine the fair value of the investment as at 31 December 2010 and at 31 December 2009 as the shares of the associate are not quoted in any open market.

The summarized unaudited financial information of the associate which is unlisted is as follows:

	2010		2009	
	USD	LTL	USD	LTL
Aseets	5,396	14,084	4,773	11,850
Liabilities	557	1,452	145	360
Revenues	12,258	31,952	5,668	14,072
Profit (loss) for the year	415	1,083	67	167

8. Other investments

In 2009 other investments include term deposits, the duration of which is 15-24 months. Investments are accounted as held to maturity. An annual effective average weighted interest rate on the term deposits was 6 %.

9. Deferred income tax

USD	Assets		Liabilities		Balance	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	15,741	30,893	-	-	15,741	30,893
Intangible assets	-	4	(11)	-	(11)	4
Long-term receivables and prepayments	72	94	-	-	72	94
Inventories	3,136	2,916	-	-	3,136	2,916
Trade and other receivables	-	-	(3,457)	(4,016)	(3,457)	(4,016)
Long-term employee benefits	1,097	1,090	-	-	1,097	1,090
Provisions	6,654	6,923	6,923	-	6,654	6,923
Trade and other payables	1,609	1,900	-	(317)	1,609	1,583
Investment incentive	2,029	1,016	-	-	2,029	1,016
Tax losses	38,741	38,884	-	-	38,741	38,884
Total	69,079	83,720	3,455	(4,333)	65,611	79,387

9. Deferred income tax (continued)

LTL	Assets		Liabilities		Balance	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	41,084	74,301	-	-	41,084	74,301
Intangible assets	-	10	(29)	-	(29)	10
Long-term receivables and prepayments	188	226	-	-	188	226
Inventories	8,185	7,014		-	8,185	7,014
Trade and other receivables	-	-	(9,022)	(9,659)	(9,022)	(9,659)
Long-term employee benefits	2,863	2,622	-	-	2,863	2,622
Provisions	17,366	16,651	-	-	17,366	16,651
Trade and other payables	4,199	4,570	-	(762)	4,199	3,808
Investment incentive	5,295	2,444	-	-	5,295	2,444
Tax losses	101,110	93,524	-	-	101,110	93,524
Total	180,290	201,362	(9,051)	(10,421)	171,239	190,941

A deferred tax asset is recognised for tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilised. The Group did not recognise the deferred tax asset of USD 2 453 thousand or LTL 6 402 thousand (2009 : USD 2 505 thousand or LTL 6 024 thousand) for losses amounting to USD 16 354 thousand or LTL 42 681 thousand (2009 : USD 16 698 thousand or LTL 40 161 thousand), which were incurred by the subsidiary AB Ventus Nafta which may be carried forward against future taxable profit.

USD	Balance at 1 January 2009	Recognised in statement of comprehensive income	Exchange differences	Balance at 31 December 2009	Recognised in statement of comprehensive income	Exchange differences	Balance at 31 December 2010
Property, plant and equipment	36,431	(5,538)	-	30,893	(15,151)	(1)	15,741
Intangible assets	34	(30)	-	4	(15)	-	(11)
Long-term receivables and prepayments	158	(64)	-	94	(22)	-	72
Inventories	9,612	(6,709)	13	2,916	240	(20)	3,136
Trade and other receivables	(42)	(3,974)	-	(4,016)	559		(3,457)
Long-term employee benefits	1,821	(730)	(1)	1,090	12	(5)	1,097
Provisions	1,741	5,182	-	6,923	(269)	-	6,654
Trade and other payables	2,102	(515)	(4)	1,583	26	-	1,609
Investment incentive	-	1,016	-	1,016	1,011	2	2,029
Tax losses	41,834	(2,952)	2	38,884	(141)	(2)	38,741
Total	93,691	(14,314)	10	79,387	(13,750)	(26)	65,611

9. Deferred income tax (continued)

LTL	Balance at 1 January 2009	Recognised in statement of comprehensive income	Exchange differences	Balance at 31 December 2009	Recognised in statement of comprehensive income	Exchange differences	Balance at 31 December 2010
Property, plant and equipment	89,281	(13,751)	(1,229)	74,301	(39,494)	6,277	41,084
Intangible assets	83	(74)	1	10	(39)	-	(29)
Long-term receivables and prepayments	387	(159)	(2)	226	(57)	19	188
Inventories	23,556	(16,657)	115	7,014	625	546	8,185
Trade and other receivables	(103)	(9,867)	311	(9,659)	1,457	(820)	(9,022)
Long-term employee benefits	4,463	(1,812)	(29)	2,622	31	210	2,863
Provisions	4,267	12,866	(482)	16,651	(701)	1,416	17,366
Trade and other payables	5,151	(1,279)	(64)	3,808	68	323	4,199
Investment incentive	-	2,523	(79)	2,444	2,635	216	5,295
Tax losses	102,522	(7,329)	(1,669)	93,524	(368)	7,954	101,110
Total	229,607	(35,539)	(3,127)	190,941	(35,843)	16,141	171,239

10. Long-term receivables and prepayments

	2010		2009	
	USD	LTL	USD	LTL
Prepayments for PPE and IA	931	2,430	245	590
Trade receivables	1,214	3,168	1,461	3,515
Other long-term receivables	355	927	208	500
Loans, issued to employees	36	95	42	101
Total long-term receivables and prepayments	2,536	6,620	1,956	4,706

Fair values of long-term receivables equals their carrying amounts.

11. Inventory

	2010		2009	
	USD	LTL	USD	LTL
Raw materials and consumables	194,413	507,397	147,797	355,482
Finished products and goods for resale	172,185	449,385	151,629	364,695
Semi products	31,879	83,201	31,008	74,580
Spare parts and other inventories	44,904	117,195	50,025	120,319
Total inventories	443,381	1,157,178	380,459	915,076

As at 31 December 2010 write-down to net realizable value for spare parts was USD 18 759 thousand or LTL 48 959 thousand (2009 : USD 13 611 thousand or LTL 32 737 thousand), for raw materials and consumables was USD 29 thousand or LTL 76 thousand (2009:USD 0 thousand or LTL 0 thousand), for finished products and goods for resale was USD 510 thousand or LTL 1 331 thousand (2009:USD 26 thousand or LTL 63 thousand) and for semi products was USD 364 thousand or LTL 950 thousand (2009:USD 288 thousand or LTL 693 thousand).

Change in write-down to net realizable value of spare parts, was included in other operating costs and raw materials, finished products and semi products was included in costs of sales.

11. Inventory (continued)

Semi products include petroleum goods, produced at oil refinery and used in other production stages. However, these products may also be sold in the market.

No inventories were pledged in 2010 and 2009 to secure letters of credit and guarantees issued by the banks on behalf of the Group.

12. Trade and other receivables

	2010		2009	
	USD	LTL	USD	LTL
Trade receivables	210,631	549,725	146,054	351,290
Less: impairment of receivables	(9,445)	(24,649)	(17,341)	(41,707)
Trade receivables, net	201,186	525,076	128,713	309,583
Receivable from related parties (Note 28)	28,075	73,273	15,393	37,022
Loans granted	1,237	3,230	-	-
Prepayments for inventory and services	3,419	8,922	3,255	7,829
Accrued income and deferred costs from related parties (Note 28)	6,872	17,935	7,208	17,337
Accrued income and deferred costs	1,610	4,201	2,626	6,316
Advance corporate income tax	3,453	9,013	4,521	10,874
Advance taxes other than corporate income tax	2,770	7,229	949	2,283
Other receivables	35,384	92,352	38,556	92,734
Less: impairment of receivables	(8,241)	(21,509)	(9,275)	(22,308)
Other receivables, net	27,143	70,843	29,281	70,426
	275,765	719,722	191,946	461,670

Trade and other receivables are interest free and the term for their settlement is approximately 12 days. Fair values of trade and other receivables are approximate to their carrying amounts.

Change in impairment of receivable amounts was as follows:

	Impairment determined for trade receivables		Impairment determined for other receivables	
	USD	LTL	USD	LTL
Balance at 1 January 2009	17,234	42,235	1,868	4,578
Change in impairment due to recovery of receivables	(73)	(181)	(11)	(27)
Impairment for the year	164	407	7,236	17,966
Exchange differences	16	(754)	182	(209)
Balance at 31 December 2009	17,341	41,707	9,275	22,308
Change in impairment due to recovery of receivables	(63)	(163)	(417)	(1,087)
Impairment for the year	106	277	30	78
Write down doubtful amounts	(7,209)	(18,791)	(101)	(264)
Exchange differences	(730)	1,619	(546)	474
Balance at 31 December 2010	9,445	24,649	8,241	21,509

Trade and other receivables are written down when the management is sure that these amounts will not be recovered. Change in impairment of doubtful receivables for 2010 and 2009 is included in other operating costs in the statement of comprehensive income.

12. Trade and other receivables (continued)

The ageing analysis of trade receivables as at 31 December 2010 and 2009 is as follows:

	2010		2009	
	USD	LTL	USD	LTL
Due	198,717	518,631	124,349	299,083
Overdue:				
Less than 30 days	2,057	5,369	3,097	7,449
30-59 days	273	711	774	1,862
60-89 days	13	34	369	888
90-359 days	196	514	217	522
More than 360 days	9,375	24,466	17,248	41,486
Total overdue	11,914	31,094	21,705	52,207
Total	210,631	549,725	146,054	351,290

13. Other investments including derivatives

	2010		2009	
	USD	LTL	USD	LTL
Investments	11,765	30,704	-	-
Other derivatives	-	-	371	892
	11,765	30,704	371	892

The average term of investment is 317 day, the interest rate was 3.99%. Other investments include deposits in Lithuanian banks. Other investments are stated at amortized cost and other derivatives are stated at fair value.

14. Cash and cash equivalents

	2010		2009	
	USD	LTL	USD	LTL
Cash at bank and in hand	32,096	83,768	68,222	164,088
Short-term deposits	2,591	6,762	65,387	157,269
	34,687	90,530	133,609	321,357

An average maturity of these deposits is 60 days (2009 : 99 days).
Cash and cash equivalents required to be maintained under the terms of letters of credit and guarantees issued by banks for settlements with suppliers is presented below:

	2010		2009	
	USD	LTL	USD	LTL
Cash and short-term deposits held at banks to secure issued letters of credit	2,913	7,603	12,969	31,193
Cash held at banks to secure guaranties issued by banks	6,860	17,904	5,193	12,490
	9,773	25,507	18,162	43,683

Use of amounts stated above in the table is restricted.

14. Cash and cash equivalents (continued)

Cash at bank and short-term deposits to be maintained under the terms of letters of credit and guarantees issued for settlements with suppliers were classified as cash and cash equivalents for the purposes of the statement of cash flows because these funds are held for meeting short term operating cash commitments with restriction of usage no longer than for period of three months.

Cash at bank amounting to USD 1 685 thousand or LTL 4 397 thousand (2009: USD 43 515 thousand or LTL 104 662 thousand) is provided as collateral for bank borrowings and for letters of credit and guarantees issued by banks on behalf of the Group.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2010		2009	
	USD	LTL	USD	LTL
US dollar	15,915	41,537	24,006	57,739
Lithuanian Litas	9,059	23,643	97,719	235,035
Euro	211	551	2,002	4,815
Other	9,502	24,799	9,882	23,768
	34,687	90,530	133,609	321,357

15. Share capital and reserves

As at 31 December 2010, the Parent company's authorised share capital comprised 708 821 122 (2009 : 708 821 122) ordinary registered shares with a par value of LTL 1 per share. All issued shares are fully paid.

There were no changes in the share capital during 2010 and 2009. All shares rank equally with regard to the Company residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

The main shareholder of the Parent company is PKN ORLEN S.A., controlling 100 % shares. In 2010 and 2009 the Parent company did not pay any dividends to the shareholders.

A legal reserve is a compulsory reserve under Lithuanian, Estonian and Polish legislation. In Lithuania and Estonia annual transfer of 5% of net profit is compulsory until the reserve reaches 10% of the share capital, whereas the Latvian legislation does not prescribe any formation of the reserve. In Poland annual transfer of 8% of the net profit for the financial year is compulsory until the reserve reaches 1/3 of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. In Estonia and Poland the legal reserve can be also used for increase of share capital.

16. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Parent company by the weighted average number of ordinary shares issued during the year.

	2010		2009	
	USD	LTL	USD	LTL
Profit (loss) attributable to shareholders of the Parent Company	(31,419)	(81,907)	(34,358)	(85,304)
Weighted average of the ordinary shares in issue (thousands)	708,821	708,821	708,821	708,821
Basic earnings per share	(0,04)	(0,12)	(0,05)	(0,12)

Diluted

The Parent company does not have potentially dilutive ordinary shares.

17. Loans and borrowings

	2010		2009	
	USD	LTL	USD	LTL
Loans from Government and Ministry of Finance	108,348	282,777	180,782	434,817
Loans from banks	56,250	146,807	94,337	226,900
Total long-term loans	164,598	429,584	275,119	661,717
Overdraft	10,853	28,326	211,369	508,385
Loans from related parties (Note 28)	15,350	40,061	-	-
Current part of loans from Government and Ministry of Finance	72,420	189,008	72,620	174,665
Current part of long-term loans from banks	38,116	99,479	38,329	92,190
Total short-term loans and borrowings	136,739	356,874	322,318	775,240
Total loans and borrowings	301,337	786,458	597,437	1,436,957

	Currency	Interest rate	Maturity	Principal amount	Balance at 31/12/2010	
					USD	LTL
Govermment of Lithuania	USD	7%	2013 07 12	288,928	180,580	471,295
Ministry of Finance of Lithuania	EUR	4,95%	2011 04 15	2,310	188	490
AB SEB Bank/ AS UniCredit Bank	USD	3 month USD Libor+margin%	2013 07 11	150,000	93,824	244,871
NORDEA Bank	EUR	3 month EURIBOR+margin%	2011 12 31	2,204	542	1,415
AB SEB Bank (overdraft)	USD	O/N USD Libor+margin%	2011 05 31	120,000	10,196	26,611
ORLEN FINANCE AB	USD	1 month USDLibor+margin%	2013 11 09	260,000	15,350	40,061
AB Swedbank (overdraftas)	LT	6 month Vilibor+margin%	2011 12 30	57	43	112
Factoring Swedbank Lising AS	EUR	1 month EURIBOR+margin%	2011 05 24	9,808	614	1,603
					301,337	786,458

	Currency	Interest rate	Maturity	Principal amount	Balance at 31/12/2009	
					USD	LTL
Govermment of Lithuania	USD	7%	2013 07 12	288,928	252,812	608,062
Ministry of Finance of Lithuania	EUR	4,95%	2011 04 15	2,507	590	1,420
AB SEB Bank/ AS UniCredit Bank	USD	3 month USDLibor+margin%	2013 07 11	150,000	131,348	315,918
NORDEA Bank	EUR	3 month EURIBOR+margin %	2011 12 31	2,204	1,318	3,172
AB Swedbank (overdraft)	USD	1 month USDLibor+margin%	2010 09 10	50,000	360	866
NORDEA Bank (overdraft)	USD	O/N USDLibor+margin%	2010 06 21	80,000	73,209	176,083
AB DnB Nord Bank (overdraft)	USD	1 month USDLibor+margin%	2010 11 26	50,000	48,646	117,002
AB SEB Bank (overdraft)	USD	O/N USDLibor+margin%	2010 05 31	120,000	84,812	203,990
Nordea Bank	LT	O/N Vilibor+margin%	2010 03 31	6,652	3,350	8,058
Factoring Swedbank Lising AS	EUR	12 month EURIBOR+margin%	2010 05 21	10,643	992	2,386
					597,437	1,436,957

The bank loans are secured by cash balances (Note 14) and property, plant and equipment (Note 5).

17. Loans and borrowings (continued)

Bank loans and borrowings amounting to USD 93 824 thousand or LTL 244 871 thousand (2009 : USD 131 348 thousand or LTL 315 918 thousand) are guaranteed by the Government of the Republic of Lithuania to AB SEB Bank/ AS UniCredit Bank.

Bank loans and borrowings amounting to USD 120 569 thousand or LTL 314 673 thousand (2009: USD 344 035 thousand or LTL 827 475 thousand) are bearing floating interest rate. Loans from other institutions amounting to USD 180 768 thousand or LTL 471 785 thousand (2009 : USD 253 402 thousand or LTL 609 482 thousand) are bearing fixed interest rates.

Maturity terms of loans and borrowings which bear fixed interest rates (with liabilities of finance lease excluded) are as follows:

	2010		2009	
	USD	LTL	USD	LTL
6 months or less	36,303	94,747	36,310	87,333
6 to 12 months	36,116	94,259	36,310	87,333
1 to 5 years	108,349	282,779	180,782	434,816
	180,768	471,785	253,402	609,482

Maturity terms of long-term liabilities (except for finance lease):

	2010		2009	
	USD	LTL	USD	LTL
Between 1 - 2 years	164,598	429,584	220,253	529,753
Between 2 - 5 years	-	-	54,866	131,964
	164,598	429,584	275,119	661,717

Effective interest rates as at the date of statement of financial position:

	2010			2009		
	USD	EUR	LTL	USD	EUR	LTL
Bank account credit	2,1%	2,8%	5,3%	2,2%	2,5%	2,6%
Bank loans	0,9%	3,3%	-	0,8%	1,2%	
Loans from other institutions	7,0%	4,9%	-	7,0%	4,9%	
Loans from related parties	2,1%	-	-	-	-	

Carrying amounts of the Group's borrowings denominated in the following currencies:

	2010		2009	
	USD	LTL	USD	LTL
US dollars	299,872	782,635	591,186	1,421,922
Other currencies	1,465	3,823	6,251	15,035
	301,337	786,458	597,437	1,436,957

The Group has the following undrawn loans and borrowing facilities bearing floating interest rates:

	2010		2009	
	USD	LTL	USD	LTL
Expiry term within one year	5 13,011	1,338,907	111,436	268,026

17. Loans and borrowings (continued)

The loans and borrowings outstanding as of 31 December 2010 and 31 December 2009 were subject to a number of covenants, such as exclusive use of loans and restricted management ability to pledge, mortgage or sell the assets, the acquisition of which was financed by loans or which value exceeds amounts specified in the loan agreements, restricted entering into lease agreements or assuming any obligations on behalf of third parties pursuant to guarantees, asset pledge or any other agreements if the Group commitments exceed the amounts specified in loan agreements, restricted investments into other entities if the Group's commitments exceed the amounts specified in the loan agreements, prohibited granting of loans to the third parties if the loan amount exceeds the amount specified in the loan agreements, throughout the duration of the loan agreements without the lenders' approval. The management believes that the Group has complied with these covenants.

18. Long-term employee benefits

	2010		2009	
	USD	LTL	USD	LTL
Long-term employee benefits	7,359	19,207	7,298	17,554

Long-term employee benefits include bonuses and additional paid leave provided to the employees of the Group based on the years of service.

The major part of the liability in relation to employee benefits emerges due to payment of pensions depending on the years of service:

Years of service	Payment (multiplier of average monthly wage)
0 - 4	2
5 - 9	4
10 - 19	6
20 and more	9

The evaluation of independent actuary was based on the following assumptions (source - Ministry of Finance of the Republic of Lithuania):

	2011	2012
Inflation, average	1,8%	2,5%
GDP actual growth	2,8%	1,2%
Nominal growth of salaries	1,8%	2,5%

For the valuation is used 5.5% discount rate (2009 : 6.5%). The 5.5% assumption is based on the expectation that Lithuania will continue low inflationary economic policies, and maintaining consistency with long term salary growth rate.

The below provided is brake down of employee benefits:

	2010		2009	
	USD	LTL	USD	LTL
Present value of employee benefits	12,169	31,760	12,884	30,989
Unrecognized costs for past services	(4,810)	(12,553)	(5,586)	(13,435)
Long-term employee benefits	7,359	19,207	7,298	17,554

18. Long-term employee benefits (continued)

Net periodical costs are as follows:

	2010		2009	
	USD	LTL	USD	LTL
Present service cost	573	1493	682	1,640
Interest expenses	672	1752	767	1,844
Actuarial (profit) / loss	(234)	(611)	(2,554)	(6,144)
Adjustment to previous expenses	352	916	(1,018)	(2,448)
Benefits paid	(711)	(1,854)	-	-
Exchange differences	(591)	(43)	174	-
	61	1,653	(1,949)	(5,108)

19. Provisions

USD	Emission allowances	Claims received from third parties	Envinronmental liabilities	Reorganisation costs	Total
Balance at 1 January 2009	-	1,357	7,347	4,578	13,282
Recognized in statement of comprehensive income - additional provisions	34,131	6,241	731	4,128	45,231
Used during the period	-	(1,357)	(1,347)	(6,873)	(9,577)
Currency exchange differences	-	-	164	(25)	139
Balance at 31 December 2009	34,131	6,241	6,895	1,808	49,075
Non - current	-	-	4,070	-	4,070
Current	34,131	6,241	2,825	1,808	45,005
Total provisions	34,131	6,241	6,895	1,808	49,075
Balance at 1 January 2010	34,131	6,241	6,895	1,808	49,075
Recognized in statement of comprehensive income - additional provisions	35,014	14,182	166	728	50,090
Used during the period	(36,479)	-	(822)	(1,549)	(38,850)
Currency exchange differences	-	-	(553)	(109)	(662)
Balance at 31 December 2010	32,666	20,423	5,686	878	59,653
Non - current	-	-	3,000	-	3,000
Current	32,666	20,423	2,686	878	56,653
Total provisions	32,666	20,423	5,686	878	59,653

19. Provisions (continued)

LTL	Emission allowances	Claims received from third parties	Envinronmental liabilities	Reorganisation costs	Total
Balance at 1 January 2009	-	3,326	18,005	11,218	32,549
Recognized in statement of comprehensive income - additional provisions	82,092	15,011	1,765	9,757	108,625
Used during the period	-	(3,199)	(3,186)	(16,626)	(23,011)
Currency exchange differences	-	(127)	-	-	(127)
Balance at 31 December 2009	82,092	15,011	16,584	4,349	118,036
Non - current	-	-	9,789	-	9,789
Current	82,092	15,011	6,795	4,349	108,247
Total provisions	82,092	15,011	16,584	4,349	118,036
Balance at 1 January 2010	82,092	15,011	16,584	4,349	118,036
Recognized in statement of comprehensive income - additional provisions	91,271	36,968	433	1,898	130,570
Used during the period	(95,090)	-	(2,143)	(4,038)	(101,271)
Currency exchange differences	6,983	1,323	(34)	82	8,354
Balance at 31 December 2010	85,256	53,302	14,840	2,291	155,689
Non - current	-	-	7,829	-	7,829
Current	85,256	53,302	7,011	2,291	147,860
Total provisions	85,256	53,302	14,840	2,291	155,689

(a) Emission allowances

In December 2010 the Parent company sold 2 142 000 tons (2009 :1 934 000 tons) of carbon dioxide emission allowances and immediately concluded provisional contracts for repurchase, which would be discharged in 2011. A provision was established for an amount of actual emission allowances for 1 967 098 tons (2009 :1 966 553 tons) (unaudited) in 2010. The provision has been calculated based on contractual price of repurchase contracts.

(b) Claims received from third parties

On 4 September 2007 the Parent company received a notice from IMTC/Maintenance Enterprises Inc. (MEI) that it had appealed to the London Court of International Arbitration (LCIA) with the purpose to start an arbitration process in relation to the Parent company's unreasonable refusal to pay part of remuneration (bonus) in the amount of USD 5 million for the services provided by MEI as to the agreement between the Parent company and MEI signed 4 April 2007. The management of the Parent company was of the opinion that it was probable that the Parent company will be required to settle the amount or part of it. Therefore, a provision of USD 5 127 thousand or LTL12 331 thousand has been established in the financial statements as at 31 December 2009. No new provisions are set aside in the financial statements as at 31 December 2010. A requirement of IMTC/ Maintenance Enterprises Inc. (MEI) was satisfied in part by partial arbitration award, and Parent company is committed to pay damages of USD 2 583 thousand or LTL 6 741 thousand and of USD 460 thousand or LTL 1 201 thousand interest. Costs relating to the allocation issue is still unresolved.

In 2009 Haldor Topsoe A/S initiated an arbitration process against the Parent company. The initial claim amount, excluding eventual interest, is EUR 6.5 million. The expected amount of counterclaim by the Parent company may amount to EUR 5 million. The management considers that a constructive obligation exists and therefore have set aside a provision of USD 8 599 thousand or LTL 22 443 thousand (in 2009 : USD 1 114 thousand or LTL 2 679 thousand) has been established in the financial statements as at 31 December 2010. Case was examined in principle by the court hearing in January 2011. The arbitration decision has not been published yet.

19. Provisions (continued)

The Company applied to the Court of Arbitration of Nyzhnij Novgorod (Russia) regarding recovery of the prepayments made by the Company of EUR 461 thousand to ZAO Nauchno-Proizvodstvennoje Objedinienije Chimmasheksport because of its failure to perform the contractual obligations under the transportation agreement. The defendant made the counterclaim in the same case regarding the assumed failure to perform the contractual obligations by the Company and recovery of the related losses in the amount of EUR 785 thousand. The investigation of the case has not been commenced. Therefore, a provision of USD 610 thousand or LTL 1 592 thousand has been established in the financial statements as at 31 December 2010. Provision is presented in Claims received from third parties in the table above.

Environmental Department of Panevėžys Region applied to the court regarding recovery of LTL 129 thousand by the Company and on 3 January 2011 filed a claim for the damage made to the environment in the amount of LTL 9 702 thousand after spillage of diesel from the main product pipeline Plock-Ventspils. The Company refused to satisfy the respective claim taking into consideration that its value was inadequately established and the accident causing such consequences occurred through the fault of the third persons plundering the oil products. The court of first instance satisfied the claim in full, the Company has appealed. According to the Company statistics, and based on the best management estimate, a 50% provision had been formed of the claim. A provision of USD 1 908 thousand or LTL 4 980 thousand has been established in the financial statements as at 31 December 2010.

(c) Environmental liabilities

The operation of the refinery cause pollution. A provision was recognised for the costs to be incurred for handling of waste which was accumulated before the end of 2007. According to the waste treatment plan agreed with the Ministry of Environment of the Republic of Lithuania, the parent company is required to clean up all contamination that it causes before 2012. Based on the best management estimate of the remaining quantities, the Parent company has formed provisions.

(d) Reorganization costs

The refinery's reorganization plan, approved at the end of 2007, was continued in 2010. During the reorganization, the Group's operation is dissolved into individual auxiliary functions which are assigned to newly established subsidiaries. The reorganization plan provides the reduction of the number of employees. In the opinion of the Group's management, the reorganization will not have significant influence on the Group's activity and financial statements. Based on evaluation of eventual costs the management of the Parent company has formed a provision.

20 . Trade and other payables

	2010		2009	
	USD	LTL	USD	LTL
Amounts due to related parties (Note 28)	588,443	1,535,779	310,928	747,837
Trade payables	52,630	137,358	57,888	139,237
Income tax liabilities	-	-	119	286
Taxes other than corporate income tax	54,310	141,743	54,271	130,531
Accruals and deferred income	14,477	37,783	18,641	44,834
Advances received	9,603	25,063	2,572	6,187
Social security contributions	2,108	5,502	2,532	6,090
Other current liabilities	3,245	8,470	3,762	9,048
	724,816	1,891,697	450,713	1,084,050

21. Expenses by nature

	2010		2009	
	USD	LTL	USD	LTL
Crude oil, industrial raw materials and other inventory costs	5,331,343	13,897,212	3,904,907	9,695,103
Remuneration	59,172	154,247	72,522	180,057
Railway services	75,483	196,760	70,493	175,022
Changes in inventories of finished goods and semi-products	(30,930)	(80,626)	(38,510)	(95,613)
Depreciation and amortization (Notes 5-6)	92,538	241,218	80,560	200,015
Electricity	52,653	137,250	41,786	103,746
Terminal services, transit and freight	64,393	167,854	56,013	139,068
Repair and maintenance services	24,942	65,015	23,535	58,433
Social security	18,273	47,632	22,138	54,963
Costs of material valuables	16,836	43,886	17,841	44,297
Insurance	8,809	22,961	15,920	39,527
Taxes other than corporate income tax	7,194	18,754	10,165	25,238
Additives and catalysts	7,821	20,388	8,594	21,338
Costs of professional services	7,145	18,625	5,798	14,395
Lease	5,891	15,355	5,511	13,682
Change in long-term employee benefits	728	1,898	(2,841)	(6,160)
Other costs	11,007	28,694	14,782	35,803
Total costs	5,753,298	14,997,123	4,309,214	10,698,914
Classified as:				
-costs of sales	5,531,717	14,419,528	4,078,043	10,124,965
-selling and marketing expenses	152,185	396,701	153,775	381,791
-administrative expenses	69,396	180,894	77,396	192,158
	5,753,298	14,997,123	4,309,214	10,698,914

22. Other activity

	2010		2009	
	USD	LTL	USD	LTL
Income from sale of non-current assets	200	523	-	-
Income from emission allowances	11,545	30,093	558	1,387
Revenues received/receivable according to the arbitration	5,895	15,367	21,629	53,702
Reversal of impairment of property, plant and equipment	4,116	10,730	754	1,872
Other income	2,151	5,605	3,113	7,723
Total other activity income	23,907	62,318	26,054	64,684
Non-current assets impairment for the year	23,215	60,514	557	1,383
Loss from liquidation of non-current assets	-	-	1,699	4,218
Provisions created	17,424	45,418	1,845	4,581
Impairment of receivables and inventories	4,003	10,434	7,394	18,358
Other costs	406	1,061	2,233	5,543
Total other activity costs	45,048	117,427	13,728	34,083

23. Financial activity

	2010		2009	
	USD	LTL	USD	LTL
Interest income	1,171	3,053	3,784	9,394
Not realised gain from financial derivatives	-	-	301	748
Other financial income	2	4	1,254	3,113
Total financial income	1,173	3,057	5,339	13,255
Interest expenses	22,467	58,564	22,804	56,618
Foreign exchange transaction losses	5,146	13,415	2,099	5,211
Realised losses from financial derivatives	2,193	5,718	1,261	3,131
Total financial costs	29,806	77,697	26,164	64,960
Total result from financial activity:	(28,633)	(74,640)	(20,825)	(51,705)

24. Income tax expense

	2010		2009	
	USD	LTL	USD	LTL
Income tax expense	(493)	(1,286)	(954)	(2,368)
Income tax of the previous year	25	66	498	1,236
Change in deferred tax (Note 9)	(13,750)	(35,843)	(14,314)	(35,539)
	(14,218)	(37,063)	(14,770)	(36,671)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the Group:

	2010		2009	
	USD	LTL	USD	LTL
Profit (loss) for the period before tax	(17,201)	(44,844)	(19,588)	(48,633)
Profit tax applying 15 % tax rate (2009 – 20%)	2,581	6,728	3,918	9,726
Effect of different tax rates in other countries	33	86	242	602
Effect of changes in tax rates	9	23	(26,246)	(65,162)
Non-taxable exchange gains	5,603	14,605	4,823	11,972
Non-taxable income	2,541	6,624	1,897	4,711
Expenses not deductible for tax purposes	(26,092)	(68,015)	232	577
Tax losses for which no deferred income tax asset was recognised	(46)	(120)	(525)	(1,304)
Income tax on dividends paid	(228)	(594)	(625)	(1,552)
Incentive on investment in non-current assets	1,013	2,641	1,016	2,523
Income tax of previous periods recognised in the current year	25	66	498	1,236
Tax loss utilization	343	893	-	-
Income tax	(14,218)	(37,063)	(14,770)	(36,671)

Non taxable exchange gains relate to impact of the changes in foreign exchange rates on assets and liabilities of the Group which are measured in US dollars for financial reporting purposes and in Lithuanian Litas for tax purposes.

25. Financial risk management

25.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. From time to time the Group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty and Lithuanian Litas. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group has a foreign currency risk management strategy that utilises derivatives to reduce its exposure to unanticipated fluctuations in cash flows derived from sales to Poland caused by changes in foreign currency exchange rates.

Occasionally the Group uses forward and options contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Currency exchange risk of the Group was concentrated on the below indicated items of the statement of financial position (the amounts are presented in functional currency);

	31 December 2010			31 December 2009		
	EUR	LTL	Kitos	EUR	LTL	Kitos
Trade and other receivables	984	102,387	8,682	1,138	97,438	26,753
Cash and cash equivalents	211	9,059	9,502	2,002	97,719	9,882
Borrowings	(1,345)	(120)	-	(2,901)	(3,350)	-
Trade and other payables	(4,359)	(102,320)	(16,675)	(41,486)	(99,864)	(28,407)
Total foreign exchange risk in statement of financial position	(4,509)	9,006	1,509	(41,247)	91,943	8,228

The below indicated exchange rates were applied in the course of the year (in respect of functional currency):

USD	2010	2009	2010	2009
	Average rate		Reporting date rate	
LTL	0,384	0,403	0,383	0,416
EUR	1,325	1,391	1,323	1,436

25.1 Financial risk factors (continued)

Sensitivity to exchange fluctuation

Increase in exchange rate of functional currency by 10% would influence shareholders equity and profit:

	Shareholders equity	Profit (loss)
31 December 2010		
LTL	901	901
EUR	(451)	(451)
31 December 2009		
LTL	9,194	9,194
EUR	(4,125)	(4,125)

During this analysis an assumption was made that all variables, especially interest rate, will remain constant. Currency depreciation by 10% would have the same only opposite effect.

(ii) Price risk

The Group occasionally enters into commodity swap contracts to reduce risk relating to the price volatility. As at 31 December 2010 there were no commodity SWAP agreements outstanding.

(a) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist principally of temporary cash investments and accounts receivable. Maximum exposure to credit risk is reflected in the carrying values of the financial assets; the effect of any rights of sett-off is not significant.

Concentrations of customers in the oil industry may impact the Group’s overall exposure to credit risk, as these customers may be similarly affected by the changes in economic conditions. The Group has procedures in place to ensure on a continuous basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit established by the management. Management believes that there is no significant risk of loss to the Group beyond the provisions already established.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group’s liquidity and quick acid rations as at 31 December 2010 were 0.838 and 0.355 (as at 31 December 2009 - 0.864 and 0.399 respectively).

The Group targets to maintain proportion between revolving financing and flexibility. The activity of the Group generates sufficient cash therefore the primary responsibility of the management is to observe that the Group‘s liquidity ratio is near or higher than 1. During 2010 and 2009 the Group met expectations of the management as liquidity is concerned.

Repayment of financial liabilities of the Group as at 31 December 2010 and 2009 as per non-discounted payments according to agreements is presented below.

25.1 Financial risk factors (continued)

USD	Book value	Non-discounted cash flows	Up to 6 month	6-12 month	1-2 years	2-5 years
31 December 2010						
Loans and borrowings	301,337	(322,253)	(73,015)	(76,303)	(116,575)	(56,360)
Trade and other payable	724,816	(724,816)	(724,816)	-	-	-
	1,026,153	(1,047,069)	(797,831)	(76,303)	(116,575)	(56,360)

LTL	Book value	Non-discounted cash flows	Up to 6 month	6-12 month	1-2 years	2-5 years
31 December 2010						
Loans and borrowings	786,458	(841,049)	(190,560)	(199,145)	(304,249)	(147,095)
Trade and other payable	1,891,697	(1,891,697)	(1,891,697)	-	-	-
	2,678,155	(2,732,746)	(2,082,257)	(199,145)	(304,249)	(147,095)

USD	Book value	Non-discounted cash flows	Up to 6 month	6-12 month	1-2 years	2-5 years
31 December 2009						
Loans and borrowings	597,437	(645,560)	(228,405)	(114,994)	(125,338)	(176,823)
Trade and other payable	450,713	(450,713)	(450,713)	-	-	-
	1,048,150	(1,096,273)	(679,118)	(114,994)	(125,338)	(176,823)

LTL	Book value	Non-discounted cash flows	Up to 6 month	6-12 month	1-2 years	2-5 years
31 December 2009						
Loans and borrowings	1,436,957	(1,552,700)	(549,359)	(276,583)	(301,463)	(425,295)
Trade and other payable	1,084,050	(1,084,050)	(1,084,050)	-	-	-
	2,521,007	(2,636,750)	(1,633,409)	(276,583)	(301,463)	(425,295)

The average interest rate used for calculations is 3.54 % (2009 : 2,8%).

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessee are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk. The Group's cash flow and fair value interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not use any financial instruments against cash flow risk in relation with debt instruments and variable interest rate or against price risk related to debt instruments and constant interest rate.

If annual interest rate applied to the Group borrowings with variable interest rate change by 1 percent, then interest expenses and annual profit of the financial year ended at 31 December 2010 would change by approx. USD 2 237 thousand or LTL 5 838 thousand (2009 : USD 5 540 thousand or LTL 13 325 thousand respectively). Fair values of borrowings with fixed interest rate are indicated in Note 25.2.

25.1 Financial risk factors (continued)

(d) Capital management

The purpose of the Board policy – to keep the shareholder's equity over borrowings at the level to maintain investors, creditors and market trust and to have the possibilities of business development in the future. The board monitors rates of return and makes proposals on dividend payment to shareholders into consideration the Group financial results and strategic plans.

(e) Operating risk

Operating risk is the risk related to direct and indirect losses occurring due to various reasons caused by the Group's business processes, personnel, technologies and infrastructure as well as by external factors (except for credit, market and liquidity risks). Such factors are legal and mandatory requirements and generally accepted functioning standards of companies. The business risk appears from the Group's activity as a whole.
The highest governing chain of the Group is responsible for creation and implementation of the control for operating risk. This responsibility is based on business risk management standards in the following areas:

- requirements for proper segregation of duties, including independent approval of transactions;
- requirements for reconciliation and control of transactions;
- adherence to legal and other mandatory requirements;
- documentation of controls and procedures;
- requirements for regular evaluation of business risk faced by the Group and adequacy of control and procedures to determined business risks;
- requirements for accounting of operating losses and action plans for their elimination;
- contingency plans;
- training and Professional development;
- ethics and performance standards;
- risk reduction including insurance, if efficient.

25.2 Fair value estimation

	31 December 2010		31 December 2009	
	Carrying amount	Fair amount	Carrying amount	Fair amount
Effect in thousands of USD				
Assets at amortised cost				
Investments into equity accounted investees	1,646	1,646	1 ,624	1 ,624
Other investments, including derivatives	11,765	11,765	3 71	3 71
Long-term receivables and prepayments	2,536	2,536	1 ,956	1 ,956
Trade and other receivables	275,765	275,765	1 91,946	1 91,946
Non-current assets held for sale	3,724	3,724	3 78	3 78
Cash and cash equivalents	34,687	34,687	1 33,609	1 33,609
	330,123	330,123	3 29,884	3 29,884
Other financial liabilities carried at amortised cost				
Loans and borrowings	301,337	315,705	5 97,437	6 16,358
Trade and other payables	724,816	724,816	4 50,713	4 50,713
	1,026,153	1,040,521	1 ,048,150	1 ,067,071

25.2 Fair value estimation (continued)

	31 December 2010		31 December 2009	
	Carrying amount	Fair amount	Carrying amount	Fair amount
Effect in thousands of LTL				
Assets at amortised cost				
Investments into equity accounted investees	4,295	4,295	3 ,907	3 ,907
Other investments, including derivatives	30,704	30,704	8 92	8 92
Long-term receivables and prepayments	6,620	6,620	4 ,706	4 ,706
Trade and other receivables	719,722	719,722	461,670	461,670
Non-current assets held for sale	9,720	9,720	9 10	9 10
Cash and cash equivalents	90,530	90,530	3 21,357	3 21,357
	861,591	861,591	7 93,442	7 93,442
Other financial liabilities carried at amortised cost				
Loans and borrowings	786,458	823,957	1 ,436,957	1 ,482,466
Trade and other payables	1,891,697	1,891,697	1 ,084,050	1 ,084,050
	2,678,155	2,715,654	2 ,521,007	2 ,566,516

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the date of reporting. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each date of reporting. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The Group's management is of the opinion that the carrying value less impairment provision of cash and cash equivalents, trade and other receivables and the carrying value of accounts payable are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

26. Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2010		2009	
	USD	LTL	USD	LTL
Property, plant and equipment	3,954	10,320	9,729	23,399

27. Contingencies

Payment request from a group of inventors

The parent company has received a payment request from a group of individuals in the amount of LTL 14 000 th (equivalent to USD 5 364 th as at 31 December 2010), related to a production improvement process invented and patented by the group and subsequently implemented by the oil refinery covering the period 1996 – 2001. The management of the parent company does not agree that the implementation of the invention actually improve the output of production process and, therefore, rejected the payment request. In 2003, one of the inventors initiated legal proceedings against the parent company and claimed an amount totalling LTL 400 th (equivalent to USD 153 th as at 31 December 2010). The First Instance Court rejected the claim as ungrounded in February 2006, however the Court of Appeal partly allowed an appeal and adjudged the amount of LTL 345 th (equivalent to USD 132 th as at 31 December 2010) of honorarium and LTL 25 th (equivalent to USD 10 th as at 31 December 2010)of court expenses in favour of the plaintiff. The parent company appealed the decision in 2010 but it was rejected. On 25 November 2010 inventors group (seven individuals) made a claim for royalties and interest for 1996-2010 in Siauliai district court for the amount of LTL 38 million (equivalent to USD 15 million as at 31 December 2010) (the parent company received it on 7 February 2011). No provisions were created in financial statements.
27. Contingencies (continued)

Other litigations and claims

The Parent company is involved in other litigation where claims have been lodged against it for the matters arising in the ordinary course of business, which have not been described above. In the opinion of the management, the outcome of these claims will not have a material adverse effect on the Parent company's operations.

Guarantees under waste treatment plans

As required by waste treatment plans approved by the Ministry of Environment in 2004, the banks on behalf of the parent company issued guarantees to regional departments of the Ministry of Environment for a total amount of LTL 11 617 th or USD 4 451 th (USD 4 830 th or LTL 11 617 th as at 31 December 2009). Guarantees are valid until 4 December 2011. Payments under these guarantees should be made in cases when the Parent company is unable to continue treatment of waste accumulating in production process. In the consolidated financial statements for the year ended on 31 December 2010, the Parent company made a provision for the environmental liabilities amounting to USD 5 686 th or LTL 14 840 th (2009 : USD 6 895 th or LTL 16 584 th (Note 19).

Tax reviews

A full scope tax review for the period 2003–2006, which was started by the tax authorities in 2008, was continued until December 2009. After completion of the review the tax authorities issued a review report. Additional penalties imposed are insignificant however the Parent company disputed the decision of the tax authorities. A tax dispute was resolved in October 2010. Local tax penalties accrued during tax disputes has been significantly reduced in favor of the company. The remaining amount was paid to the Tax Authorities. No tax reviews for the year 2007 and subsequent years have been performed by the tax authorities.

28. Transactions with related parties

Polski Koncern Naftowy Orlen S.A. (hereinafter – PKN ORLEN S.A.) is the major shareholder of the Parent company, and the Treasury of Poland (hereinafter – the Polish Government) is the main party controlling the Group.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2010		2009	
	USD	LTL	USD	LTL
-UAB „Naftelf"	10,915	28,451	4,566	11,337
-PKN Orlen S.A.	462,920	1,206,692	313,714	790,227
-PKN ORLEN Group*	101,043	263,390	58,928	146,306
	574,878	1,498,533	377,208	947,870

(b) Purchases of goods and services

	2010		2009	
	USD	LTL	USD	LTL
-PKN ORLEN S.A. (purchase of feedstock)	5,211,680	13,585,285	3,779,315	9,383,309
-PKN Orlen S.A.(purchase of services)	3,248	8,466	4,799	11,914
-PKN ORLEN Group*	8,074	21,046	1,989	4,937
	5,223,002	13,614,797	3,786,103	9,400,160

(c) Key management remuneration

	2010		2009	
	USD	LTL	USD	LTL
Salaries and other short-term payments to managers	1,457	3,798	1,265	3,141

In 2010 and 2009 key managers are 7 members of the Parent company's management.

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28. Transactions with related parties (continued)

(d) Balances as of the end of the period arising from sales/purchases of goods/services

Receivables from related parties (Note 12):

	2010		2009	
	USD	LTL	USD	LTL
-PKN ORLEN S.A.	19,933	52,022	10,002	24,059
-PKN ORLEN Group*	14,518	37,891	12,531	30,139
-UAB „Naftelf“	496	1,295	68	161
	34,947	91,208	22,601	54,359

Amount due to related parties (Note 20):

	2010		2009	
Amounts paid to related parties:	USD	LTL	USD	LTL
PKN ORLEN S.A.	583,869	1,523,841	305,988	735,955
PKN ORLEN Group*	4,574	11,938	4,940	11,882
	588,443	1,535,779	310,928	747,837

(e) Loans from related parties – PKN ORLEN Group*

	2010		2009	
	USD	LTL	USD	LTL
At the beginning of the year	-	-	-	-
Gauta paskolos	338,448	882,226		
Interest expenses	1,198	3,122	-	-
Interest paid	(1,136)	(2,961)	-	-
Loan repayments made	(323,160)	(842,373)	-	-
Exchange fifferences	-	47	-	-
At the end of the year	15,350	40,061	-	-

The following companies are related to PKN ORLEN Group companies:

* Orlen Gaz Sp.z.o.o., Orlen Insurance Ltd, Orlen Prewencja Sp.z.o.o, Orlen Project S.A., Orlen Ksiegowosc Spolka z.o.o., Orlen Asfalt Sp.z.o.o., Orlen Finance AB.

29. Subsequent events

Current loans, received by 28 February 2011, amounted to USD 66 885 thousand or LTL 166 203 thousand. The repaid long-term loan amounts were USD 18 894 thousand or LTL 48 370 thousand. Loans received from related parties amounted to USD 140 685 thousand or LTL 349 876 thousand. No new loan agreements have been signed.