2009 Annual Report

ORLEN Lietuva

Content

Review of Chairman of the Board and General Director

The year 2009 for the Company, just like for the entire country, was full of challenges. ORLEN Lietuva faced the consequences of the global economic slow-down – processing margins went down and fuel consumption rates, especially in the Baltic States, decreased significantly. All this had much impact on both financial and performance results of the Company.

The changed competitive environment and the especially difficult macroeconomic conditions forced the Company to further optimize its business activities, reduce operating costs, increase performance efficiency and implement structural changes by spinning-off the functions unrelated to crude oil processing.

Last year we worked under difficult conditions; however, the crisis and the challenges thrown by it gave an incentive to look for new market opportunities. In comparison to the year 2008, the Company has succeeded in reducing its operating costs, optimizing the number of employees and implementing projects related to improvement of the Company's management, increasing product sales and logistics efficiency, reducing production-related costs as well as improving light petroleum product yields.

This is a proof that we were on the right path, that we have potential and are capable of standing to our position, fighting for a larger market share, valuing each customer, counting each Litas, understanding what makes the Company stronger and more resistant to any kind of temporary difficulties.

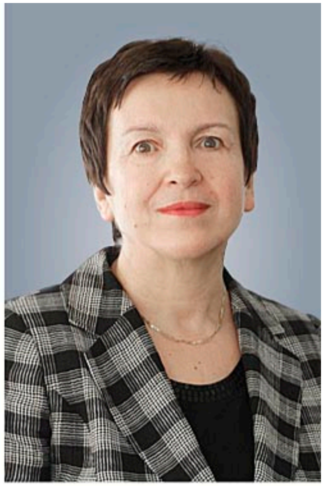
I believe that the Company's qualified and hard-working team of professionals will conquer the challenges of 2010 and increase ORLEN Lietuva's performance efficiency as well as enhance its competitiveness.

Krystian Pater
Chairman of the Board of Directors and General Director of Public Company ORLEN Lietuva

Board of Directors*

Krystian Pater,
Chairman of the Board of Directors and General Director of Public Company ORLEN Lietuva

Sławomir Robert Jędrzejczyk
Chief Financial Officer, PKN ORLEN



Vita Petrošienė
Deputy Chief Financial Officer, ORLEN Lietuva

Jacek Tomasz Szafranski
Deputy General Director for Commercial Sales, ORLEN Lietuva

Jarosław Szaliński
Chief Financial Officer, ORLEN Lietuva

*31 December 2009

ORLEN Lietuva

Public Company ORLEN Lietuva (hereinafter – the Company) consists of the Refinery in Mažeikiai, the Marine Terminal in Būtingė, and the Pipeline System for transshipment of crude oil and petroleum products. The reverse export and import Terminal in Būtingė situated on the shore of the Baltic Sea is an all-year-round ice-free port currently accepting the crude oil import cargoes supplied to the Mažeikiai Refinery.

The Company is a member of PKN ORLEN Capital Group, one of the largest oil companies in Central and Eastern Europe.

ORLEN Lietuva Group

Public Company ORLEN Lietuva

- Mažeikiai Refinery;
- Būtingė Terminal;
- Crude Oil and Product Pipeline Network

AB Ventus-Nafta
Retail sales of refined petroleum products

UAB Mažeikių Nafta Trading House
ORLEN Lietuva's trading agent in Lithuania (performs no operations)

- **SIA Mazeiku Nafta Tirdzniecibas Nams**
  Wholesale of refined petroleum products in Latvia
- **OU Mazeikiu Nafta Trading House**
  Wholesale of refined petroleum products in Estonia
- **Mazeikiu Nafta Trading House Sp.z.o.o.**
  Wholesale of refined petroleum products in Poland (performs no operations)

UAB Mažeikių Nafta Health Care Center
Health care services for the Company's employees and other residents of the district

UAB Paslaugos Tau
Cleaning and territory attendance services

UAB EMAS
Electrical equipment installation, servicing, maintenance and other related services

UAB Remonto Mechanikos Centras
Mechanical equipment installation, maintenance and other related services (under liquidation)

Consolidated Annual Report of Public Company ORLEN Lietuva for the year 2009

Low refining margins, global economy slowdown and radical decrease of fuel consumption 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 2009. Nevertheless, the Parent Company succeeded in retaining its position on the target markets and successfully selling its products.

Performance optimization and efficiency increase became one of the most serious challenges of Public Company ORLEN Lietuva (hereinafter – the Parent Company) during the last year. In 2009, reorganizational changes within the Parent Company were continued by spinning-off the non-core activities which are not related to the refining. 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 the 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 Company's divisions and with PKN Orlen Group. The Company continued restructuring

by concentrating on its core operations. In 2009, the Parent Company's subsidiary UAB "EMAS" was established for provision of the services earlier rendered by the Parent Company Electrical as well as Instrumentation and Automation Shops. Organizational changes and restructuring were followed by the workforce reduction during the last year. In comparison with the year 2008, the number of employees in the Group decreased by 503, i.e. 17 percent. The number of the Group employees at the end of 2009 was 2,959.

The new Collective Agreement for 2009-2011 was signed in 2009. Both the Parent Company and the Trade Unions consider the new Collective Agreement as an achievement and testimony of the Parent Company's social responsibility ensuring stability of social and employment guarantees for the employees.

Last year the Parent Company completed modernization projects commenced earlier as well as implemented 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.

In spring of 2009, the Parent Company completed one of the largest environmental and efficiency improvement projects started in 2007, i.e. construction of new Hydrogen Generation Unit.

In April 2009, PKN ORLEN S.A. became the sole shareholder of AB Mazeikiu Nafta. In this association, on 1 September 2009, the Register of Legal Entities of the Republic of Lithuania registered the new name of Public Company Mazeikiu Nafta becoming Public Company ORLEN Lietuva.

In 2009, the Parent Company was granted ISO 9001 Quality Management System Certificate being the last one of the three certificates required for the Parent Company under the standards of the Integrated Management System.

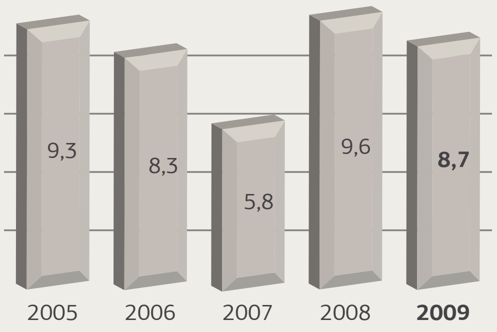
Global financial and economic crisis forced the Group to immediately respond to the changes on the market as well as address the operation and investment related issues.

Key indicators

Indicator	EBITDA, MM USD	Net profit (loss), MM LTL	Net profit (loss), MM USD	Return on assets USD	Return on equity USD	Long-term debt to equity ratio	Current ratio	Asset turnover ratio	Net Debt to equity ratio	Revenues, billion LTL	Revenues, billion USD
2009	**100,4**	**-85,3**	**-34,4**	**-0,018**	**-0,043**	**0,36**	**0,86**	**2,29**	**0,59**	**10,8**	**4,3**
2008	81,0	55,1	23,4	0,013	0,028	0,48	0,98	4,04	0,72	17,6	7,5
2007	64,6	89,7	35,5	0,02	0,04	0,58	1,32	1,75	0,63	8,8	3,5
2006	109,1	197,0	67,9	0,04	0,09	0,60	2,55	2,69	0.03	11,2	4,3
2005	419,4	885,7	319,5	0,20	0,47	0,70	1,47	2,49	-0.31	11,2	4,0

Operating Results

Refining volumes (million tons)



In 2009, the feedstock processing volume was 8.7 million tons, while the feedstock quantity refined in 2008 reached 9.6 million tons, i.e. was higher by 0.9 million tons or 9 per cent.

Sales of petroleum products by the Group in 2009 amounted to 8.2 million tons, compared to 9.1 million tons of petroleum products in 2008. Due to the complicated economic circumstances worldwide as well as in Lithuania the Group reduced its refining capacities to mitigate the losses. This was followed by decrease of petroleum product sales by 0.9 million tons or 9.9 per cent in comparison with the year 2008. As a result of fall in the world crude oil and petroleum product prices and lower sales volume, revenues of the Group reduced by 42.7 percent and reached USD 4.3 billion (LTL 10.8 billion) in 2009, while the revenues in the year 2008 amounted to USD 7.5 billion (LTL 17.6 billion).

Continuing economic recession in the Baltic States impacted drop of gasoline and diesel fuel sales in

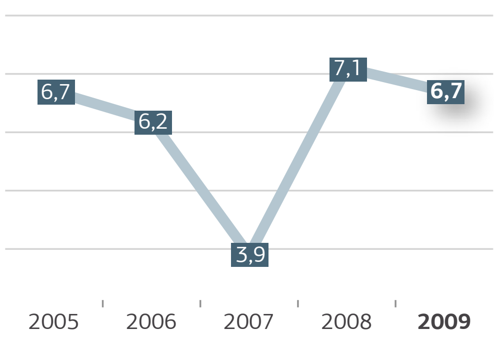
Lithuanian, Latvian and Estonian markets, with reduction of the sales volume by 22.6 per cent if compared to 2008.

In 2009, the Group succeeded in retaining the same level of sales to Ukrainian market and markets of other CIS, reaching over 500 thousand tons of gasoline and diesel fuel sold. Such sales results were impacted by the quality of fuel and recognition of the refined petroleum products on the market.

Reduction of the refining volumes was followed by decrease of the seaborne sales in 2009, amounting to 4.3 million tons, in comparison with 4.7 million tons during the year 2008.

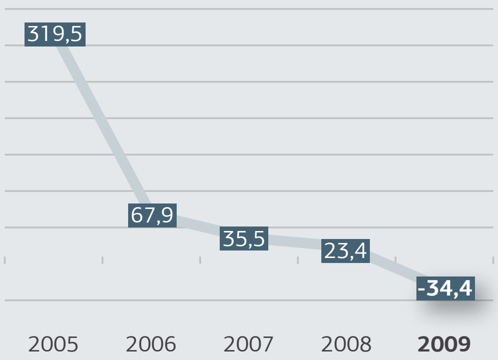
Sales and Logistics Divisions of the Parent Company were successful in increasing efficiency of their activities, while Production Division reduced fuel consumption and improved the light products yield (73.3 per cent compared to 72 per cent in 2008); however, due to the reduction of the refining volumes, the capacity utilization was only 82.3 per cent compared to 90.2 per cent in 2008. In 2009, the Parent Company implemented the 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.

Export (million tons)



In 2009, the fuel stations of the Group operating under VENTUS and ORLEN LIETUVA brands sold 80.3 million liters of fuel, i.e. reduction by 5.6 per cent versus 2008. The main reasons for such reduction were severe economy recession which especially affected construction and transport sectors, unfavorable state policy on excise duties and drop of the Polish zloty exchange rate followed by decrease of the fuel quantities sold to the international shipping companies, and drop of the fuel consumption in private sector due to the sharp increase in unemployment.

Net profit (loss) (mln. USD)



Financial Results

The net loss of the Group for the year 2009 under the International Financial Reporting Standards (IFRS) amounted to USD 34.4 million (LTL 85.3 million), while the net profit for 2008 was USD 23.4 million (LTL 55.1 million).

Positive impact on the Group's financial results was made by the arbitration decision made in November 2009 to compensate USD 26.8 million for the Parent Company. This amount was the Parent Company's costs incurred upon decision of AB Lietuvos Geležinkeliai to increase the railway transportation tariffs.

Weaker results of the Group, if compared to 2008, had a respective impact on the changes of its financial indicators. Profitability indicators reduced: the return on assets was minus 0.018 (0.013 in 2008), and the return on equity was minus 0.043 (0.028 in 2008). Changes of other indicators were as follows: the long term debt to equity ratio was 0.36 (0.48 in 2008), the current ratio was 0.86 (0.98 in 2008), the asset turnover ratio was 2.29 (4.04 in 2008), and the net debt to equity ratio was 0.59 (0.72 in 2008).

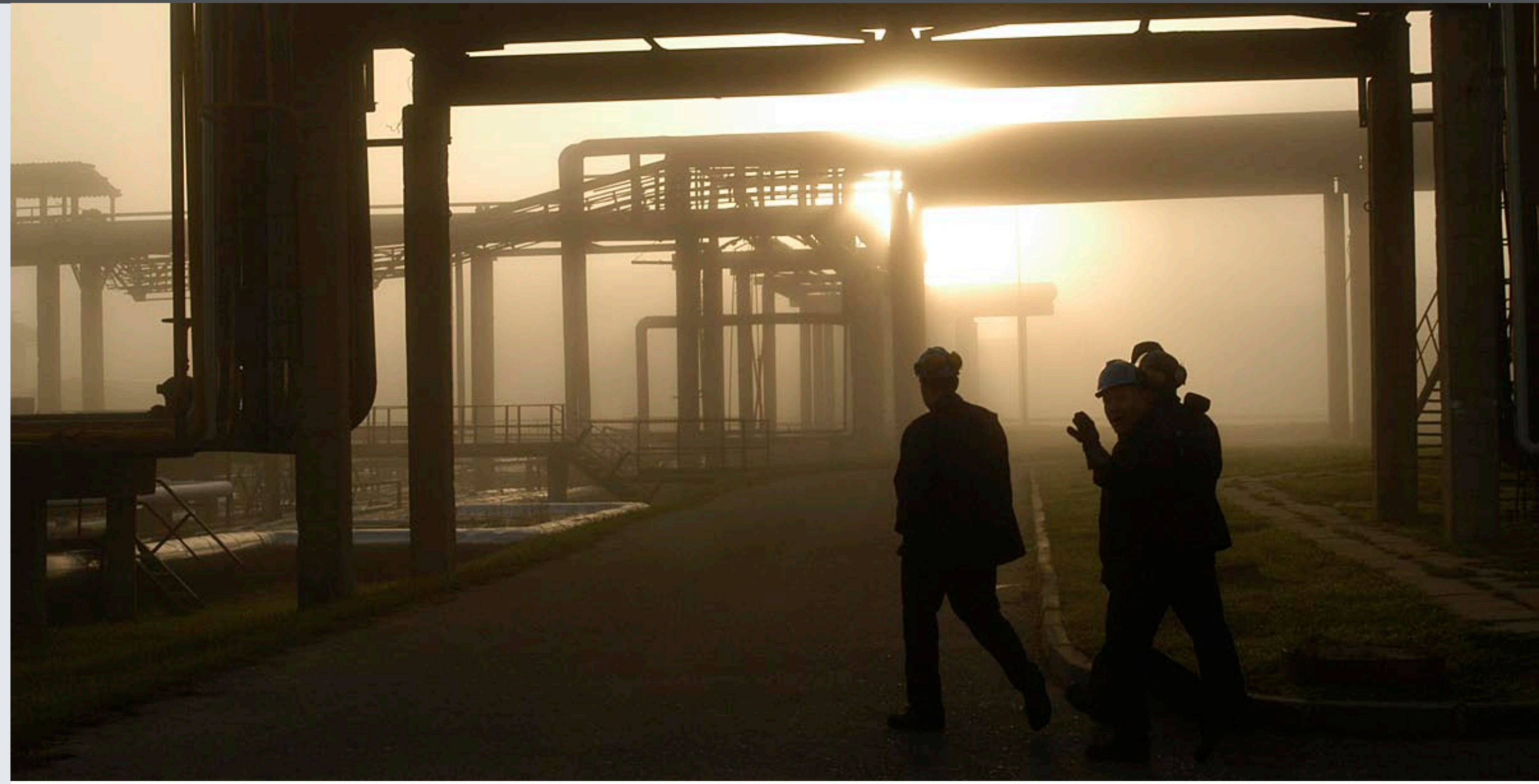
Information on financial risk management of the Group is available in Note 4 of Financial Statements. Information includes financial risk management objectives, used insurance instruments to which the accounting of insurance transactions is applicable as well as the information on the extent of pricing risk, credit risk, liquidity risk and cash flow risk of the Group.

Modernisation, Mandatory and Other Projects

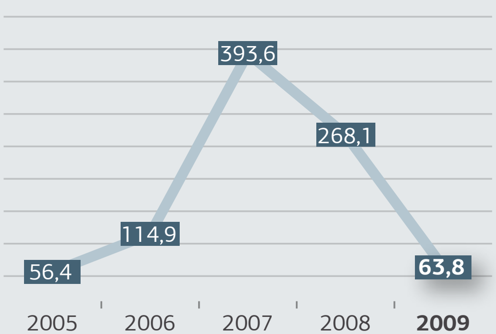
In 2009, the Parent Company completed the earlier-commenced projects under its Modernisation Program, and was implementing only the most essential projects required for upgrade of existing units to ensure safe and continuous production process as well as compliance of petroleum products with the new requirements of the European Union.

The total amount of investments by the Group into the tangible and intangible assets during the year 2009 comprised USD 63.8 million, i.e. were by 76 per cent less than in the year 2008 (USD 268.1 million in 2008).

From 1 January 2009, quality requirements enforced by the European Union for the sulfur content in diesel fuel became even stricter, with the maximum permissible sulfur content of 10 ppm. In spring of the year 2009, the Parent Company replaced reactor in Diesel Hydrotreatment Unit of LK-1 Complex with more efficient reactor. The total amount spent for replacement



Investment (million USD)



of the reactor in the year 2009 was USD 8.3 million (total costs of the project amounted to USD 44.4 million). The modernized unit ensures stable production of low-sulfur diesel fuel.

In spring of the year 2009, the Parent Company completed one of the largest environmental and efficiency improvement projects started in 2007, i.e. construction of new Hydrogen Generation Unit (investments in 2009 amounted to USD 13.3 million, while the total value of the project reached USD 97.3 million). The new Hydrogen Generation Unit is necessary to avoid the hydrogen shortage after start-up of both diesel hydrotreatment reactors in LK-1 and LK-2.

Seeking to ensure safe and continuous production process, the Parent Company was implementing in the year 2009 only the most essential upgrades of the existing units with the investments being USD 30 million, i.e. 75 per cent less than in 2008 (the total amount of investments into the upgrade projects during the year 2008 amounted to USD 117.7 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 market oriented. Increase of the salaries for the employees is based on the principles of internal equity and external competitiveness. In 2009, the Parent Company completed evaluation of jobs and developed remuneration system under Hay Group methodology which allows precise comparison and evaluation of the jobs not only within the Parent Company but also at the domestic labor market level.

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 employees training and professional education. Upon installation of new units the targeted training has been attended by 154 employees, 245 employees has acquired knowledge on operation of additional process equipment, and 900 employees completed first aid training. The said trainings as well as vocational training for employees under the Lithuanian Labor Market Training Authority vocational training programs allow on-the-job learning and improving the employees' skills.

More than 400 employees attended trainings on quality management systems implementation, project management, foreign languages, classification of chemicals, work organization, internal communication, information security and other areas. In autumn of the year 2009, the Parent Company jointly with the Lithuanian Confederation of Industrialists started implementation of 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 of the Parent Company are attending the training courses and improving their social skills as well as managerial competence. The trainings will extend into the year 2010.

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 higher profitability; therefore reorganizational changes were continued in the year 2009.

Logistics activities were centralized in 2009 by assigning the operations of petroleum products loading to the Logistics Division of the Parent Company, which allowed ensuring uniform and more efficient management and staff optimization.

To facilitate saving of the costs the Parent Company has withdrawn the activities of protection of non-operating crude oil pipeline, transferring the functions to contractors.

The Parent Company was further continuing the process of restructuring by reducing its non-core activities and spinning them off into the newly established subsidiaries or outsourcing services. In 2009, the Parent Company's subsidiary UAB "EMAS" was established for provision of the services earlier rendered by the Parent Company Electrical as well as Instrumentation and Automation Shops. Employees of the said shops have been suggested continuing their employment relations with UAB "EMAS". Maintenance-Mechanical Shop of the Parent Company was reorganized into the Maintenance Section, assigning the narrower scope of activities related to emergency servicing of the Parent Company's process units. Other services earlier provided by the shop have been replaced with the outsourced services.

Organizational changes and restructuring allowed the significant workforce reduction during the last year. The number of employees in the Group at the end of 2009 was 2,959. In comparison with the year 2008, the number of the Group employees decreased by 503.

Changes in the Group Structure

On 2 March 2009, UAB “EMAS” was registered with the Register of Legal Entities, with an authorized capital amounting to LTL 5,200,000 and headquarters at Juodeikiai, LT-89467 Mažeikiai distr., Republic of Lithuania.

The Parent Company is the sole incorporator and shareholder of UAB “EMAS”, being entitled to 5,200,000 ordinary registered shares of LTL 1 nominal value. The shares have been paid for by the Parent Company in the form of cash contributions.

UAB “EMAS” performs its activities from May 2009, and provides the services of installation and maintenance of electrical equipment as well as other associated services.

On 2 March 2009, UAB “Remonto Mechanikos Centras” was registered with the Register of Legal Entities, with an authorized capital amounting to LTL 6,200,000 and headquarters at Juodeikiai, LT-89467 Mažeikiai distr., Republic of Lithuania.

The Parent Company is the sole incorporator and shareholder of UAB “Remonto Mechanikos Centras”, being entitled to 6,200,000 ordinary registered shares of LTL 1 nominal value.

UAB “Remonto Mechanikos Centras” was established for provision of mechanical equipment installation and maintenance services; however majority of the employees of the Parent Company’s maintenance service realization shops refused the transfer to the newly established subsidiary, and UAB “Remonto Mechanikos Centras” did not commence its activities.

Hence, the Parent Company as the sole shareholder has made the decision to start liquidation of UAB “Remonto Mechanikos Centras” from 1 December 2009. Liquidation procedures currently are continued.

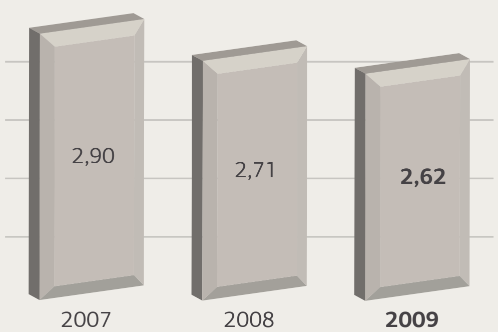
On 11 February 2009, the Parent Company completed the squeeze-out of Public Company Ventus-Nafta shares, and became the sole shareholder of this subsidiary.

Implementation of Management Systems

During 2008-2009 the Parent Company received the following international management system certificates: environmental management system (ISO 14001:2005), occupational health and safety management system (OHSAS 18001:2007) as well as quality management system (ISO 9001:2008) certificates required for the Parent Company under the standards of the Integrated Management System. The certificates testify that activities of the Parent Company comply with the international integrated management system standards implemented by many European companies.

On 14 June 2009, the Parent Company was awarded the international Quality Management System Certificate ISO 9001, being the last one of the three certificates of the Integrated Management System. The introduced quality management system improves the Parent Company's internal order, allows implementation of more efficient management followed by better comprehension of the objectives and processes by the employees; but the most important thing is the trust of the clients in our products and work quality. 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.

Support (million LTL)



Environmental and Social Responsibility

Certification of ISO 14001:2005 environmental management system became the largest accomplishment of the Parent Company in the area of environmental protection. Seeking to mitigate other environmental risks, the Parent Company dedicates continuous attention to the environmental issues.

Having secured one of the leading positions in the Lithuanian economy, the Group seeks not only to improve its business results, but also to enhance quality of life of the Group's employees and their families, as well as communities of Mažeikiai, Biržai Districts and Palanga town. In 2009, the Group remained one of the largest sponsors in Lithuania and was the supporter of many valuable initiatives being in line with the provisions of the Social Policy. The Parent Company allocated LTL 1.4 million for support of Lithuanian basketball as well as more than LTL 1.2 million for the support of cultural, sport and social programs in Lithuania, especially in Mažeikiai district.

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 2009, 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 2010 – Year of New Challenges and Opportunities

The persisting financial crisis will have significant impact on the Group's performance results in the year 2010 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 2010, 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 2010 is about 9.6 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.

Content Pages

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

We have audited the accompanying consolidated financial statements of AB ORLEN Lietuva and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 judgement, 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 Group as at 31 December 2009, 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 2009 set out on pages 7-21 of the 2009 Annual Report and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2009.

Klaipėda, 19 March 2010
KPMG Baltics UAB

Rokas Kasperavičius
Partner
Certified Auditor

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated statement of financial position

	Note	31 December 2009		31 December 2008	
		USD	LTL	USD	LTL
ASSETS					
Property, plant and equipment	5	1 091 655	2 625 646	1 113 628	2 729 146
Intangible assets	6	12 138	29 195	11 759	28 819
Investments stated at equity method	7	1 624	3 907	1 621	3 972
Other investments	8	1 411	3 394	-	-
Deferred tax asset	9	79 387	190 941	93 691	229 607
Long-term receivables and prepayments	10	1 956	4 706	16 275	39 886
Total non-current assets		1 188 171	2 857 789	1 236 974	3 031 430
Inventories	11	380 459	915 076	270 271	662 347
Trade-related and other receivables	12	191 946	461 670	237 920	583 065
Other investments including derivatives	13	371	892	-	-
Cash and cash equivalents	14	133 609	321 357	93 056	228 050
Non-current assets held for sale		378	910	8 337	20 431
Total current assets		706 763	1 699 905	609 584	1 493 893
Total assets		1 894 934	4 557 694	1 846 558	4 525 323
EQUITY					
Share capital	15	181 886	708 821	181 886	708 821
Share premium		77 507	295 548	77 507	295 548
Reserves	15	27 635	74 002	18 635	50 211
Currency translation reserve		4 788	(397 722)	7 696	(352 226)
Retained earnings		498 595	1 220 448	538 576	1 317 738
Total equity attributable to shareholders of the parent company		790 411	1 901 097	824 300	2 020 092
Non controlling interest		-	-	52	127
Total equity		790 411	1 901 097	824 352	2 020 219
LIABILITIES					
Borrowings	17	275 119	661 717	385 788	945 443
Long-term employee benefits	18	7 298	17 554	9 247	22 661
Long-term provisions	19	4 070	9 789	4 729	11 589
Total long-term liabilities		286 487	689 060	399 764	979 693
Trade-related and other payables	20	450 821	1 084 311	312 877	766 766
Borrowings	17	322 210	774 979	301 012	737 685
Short-term provisions	19	45 005	108 247	8 553	20 960
Total short-term liabilities		818 036	1 967 537	622 442	1 525 411
Total liabilities		1 104 523	2 656 597	1 022 206	2 505 104
Total equity and liabilities		1 894 934	4 557 694	1 846 558	4 525 323

The consolidated financial statements set out on pages 3 to 48 were approved by the General Director and the Chief Financial Officer on 19 March 2010

Krystian Pater
General Director

Jaroslaw Szalinski
Chief Financial Officer

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated statement of comprehensive income

		Year ended 31 December			
		2009		**2008**	
	Note	**USD**	**LTL**	**USD**	**LTL**
Sales		4 332 802	10 757 481	7 463 361	17 590 235
Cost of sales	21	(4 112 477)	(10 210 459)	(7 242 728)	(17 070 233)
Gross profit		220 325	547 022	220 633	520 002
Other income	22	755	1 874	75 586	178 145
Selling and marketing costs	21	(131 987)	(327 697)	(182 303)	(429 666)
Administrative expenses	21	(87 232)	(216 579)	(71 277)	(167 989)
Other costs	22	(1 400)	(3 476)	(2 975)	(7 010)
Operating profit		461	1 144	39 664	93 482
Finance income	23	4 771	11 846	5 246	12 363
Finance costs	23	(24 832)	(61 654)	(49 218)	(116 000)
Total financial activity		(20 061)	(49 808)	(43 972)	(103 637)
Share of profit (loss) from investments stated at equity method	7	12	31	(8)	(18)
Profit (loss) before income tax		(19 588)	(48 633)	(4 316)	(10 173)
Income tax	24	(14 770)	(36 671)	27 690	65 262
Profit (loss) from continuing operations		(34 358)	(85 304)	23 374	55 089
Discontinued operations					
Profit (loss) from discontinued operations (net of income tax)		-	-	-	-
Profit (loss) for the year		-	-	-	-
Other comprehensive income					
Currency conversion differences		483	(33 641)	(1 096)	74 510
Other comprehensive income (net of income tax)		483	(33 641)	(1 096)	74 510
Total comprehensive income for the year		(33 875)	(118 945)	22 278	129 599
Profit (loss) attributable to:					
Shareholders of the parent company		(34 358)	(85 304)	23 374	55 089
Non controlling interest		-	-	-	-
Profit (loss) for the year		(34 358)	(85 304)	23 374	55 089
Total comprehensive income attributable to:					
Shareholders of the parent company		(33 875)	(118 945)	22 278	129 599
Non controlling interest		-	-	-	-
Total comprehensive income for the year		(33 875)	(118 945)	22 278	129 599
Earnings per share for profit (loss) for the year attributable to the shareholders of the parent company					
– ordinary shares	16	(0.048)	(0.120)	0.033	0.078

Krystian Pater
General Director

Jaroslaw Szalinski
Chief Financial Officer

Consolidated statement of changes in equity (thousand USD)

	Attributable to shareholders of the parent company								
	Share capital	Share premium	Revaluation reserve	Legal reserve	Cumulative currency translation adjustments	Retained earnings	Total	Non controlling interest	Total equity
Balance at 1 January 2008	181 886	77 507	109	18 826	8 781	514 902	802 011	294	802 305
Profit for the year	-	-	-	-	-	23 374	23 374	-	23 374
Currency conversion differences recognized directly in equity	-	-	-	-	(1 085)	-	(1 085)	(11)	(1 096)
Total comprehensive income for the year	-	-	-	-	(1 085)	23 374	22 289	(11)	22 278
Transferred from legal reserve	-	-	-	(300)	-	300	-	-	-
Shares acquired from non controlling interest	-	-	-	-	-	-	-	(231)	(231)
Total shareholders decisions	-	-	-	(300)	-	300	-	(231)	(231)
Balance at 31 December 2008	181 886	77 507	109	18 526	7 696	538 576	824 300	52	824 352
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 adjustment after liquidation of subsidiary	-	-	-	-	(3 377)	3 377	-	-	-
Currency conversion differences recognized directly in equity	-	-	-	-	469	-	469	14	483
Total comprehensive income 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)
Total shareholders decisions	-	-	-	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

Krystian Pater
General Director

Jaroslaw Szalinski
Chief Financial Officer

Consolidated statement of changes in equity (thousand Litas)

	Attributable to shareholders of the parent company								
	Share capital	Share premium	Revaluation reserve	Legal reserve	Cumulative currency translation adjustments	Retained earnings	Total	Non controlling interest	Total equity
Balance at 1 January 2008	708 821	295 548	437	50 494	(426 736)	1 261 929	1 890 493	693	1 891 186
Profit for the year	-	-	-	-	-	55 089	55 089	-	55 089
Currency conversion differences recognized directly in equity	-	-	-	-	74 510	-	74 510	-	74 510
Total comprehensive income for the year	-	-	-	-	74 510	55 089	129 599	-	129 599
Transferred from legal reserve	-	-	-	(720)	-	720	-	-	-
Shares acquired from non controlling interest	-	-	-	-	-	-	-	(566)	(566)
Total shareholders decisions	-	-	-	(720)	-	720	-	(566)	(566)
Balance at 31 December 2008	708 821	295 548	437	49 774	(352 226)	1 317 738	2 020 092	127	2 020 219
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 adjustment after liquidation of subsidiary	-	-	-	-	(11 805)	11 805	-	-	-
Currency conversion differences recognized directly in equity	-	-	-	-	(33 691)	-	(33 691)	50	(33 641)
Total comprehensive income 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)
Total shareholders decisions	-	-	-	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

Krystian Pater
General Director

Jaroslaw Szalinski
Chief Financial Officer

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated statement of cash flows

	Note	2009		2008	
		USD	**LTL**	**USD**	**LTL**
Profit (loss) for the period		(34 358)	(85 304)	23 374	55 089
Adjustments:					
– depreciation	5	79 656	197 771	59 699	140 704
– amortisation	6	904	2 244	997	2 349
– impairment of property, plant and equipment	5	376	934	1 714	4 040
– reversal of impairment of property, plant and equipment	5	(800)	(1 986)	(14 343)	(33 805)
– write off of property, plant and equipment		1 447	3 593	19 124	45 073
– write off of intangible assets	6	-	-	595	1 402
– impairment of intangible assets	6	181	449	-	-
– interest expense	23	22 733	56 443	31 377	73 952
– interest income	23	(3 871)	(9 612)	(3 773)	(8 892)
– currency conversion differences		(564)	(9 267)	4 022	39 241
– share of profit (loss) of investments stated at equity method	7	(12)	(31)	8	18
– (profit) loss from disposal of property, plant and equipment		(349)	(866)	436	1 028
– income tax expense	24	14 770	36 671	(27 690)	(65 262)
		80 113	191 039	95 540	254 937
– change in inventories		(108 814)	(249 558)	278 313	629 994
– change in trade and other receivables		47 094	124 809	36 206	59 932
– change in other investments including derivatives		(371)	(892)	-	-
– change in trade and other payables		145 316	334 895	(168 237)	(361 967)
– net change in provisions	19	35 793	85 487	(169)	843
Cash flows from operating activities		199 131	485 780	241 653	583 739
Interest paid		(25 540)	(63 411)	(31 957)	(75 319)
Income tax paid		(1 715)	(4 257)	(8 175)	(19 269)
Net cash flows from operating activities		171 876	418 112	201 521	489 151
Investing activity					
Interest received		4 144	10 288	3 773	8 893
Proceeds from sale of property, plant and equipment		287	713	606	1 428
Acquisition of shares from non controlling interest		(66)	(177)	(231)	(566)
Purchases of property, plant and equipment		(54 705)	(136 277)	(285 959)	(675 956)
Purchases of intangible assets		(1 437)	(3 567)	(3 362)	(7 924)
Acquisition of other investments (term deposits)		(1 411)	(3 394)	-	-
Net cash flows from investing activities		(53 188)	(132 414)	(285 173)	(674 125)
Financing activity					
Credits raised		1 994 981	4 953 140	951 190	2 241 841
Repayment of borrowings		(2 074 176)	(5 149 765)	(904 194)	(2 131 075)
Net cash flows from financing activities		(79 195)	(196 625)	46 996	110 766
Net increase in cash and cash equivalents		40 553	93 307	(40 468)	(86 692)
Cash and cash equivalents at the beginning of the period	14	93 056	228 050	133 524	314 742
Effect of exchange gains (losses) on cash and cash equivalents		1 060	4 234	(3 812)	(12 484)
Cash and cash equivalents at the end of the period	14	133 609	321 357	93 056	228 050

Krystian Pater
General Director

Jaroslaw Szalinski
Chief Financial Officer

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

1. General information

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 2009 include the Parent company and subsidiary companies.

The consolidated group (hereinafter "the Group") consists of the Parent company and its nine subsidiaries (eight subsidiaries in 2008). 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 establish-ment/ acquisition	Share of the Group (%)		Nature of activity
			31 Dec. 2009	31 Dec. 2008	
Subsidiaries					
UAB Uotas	Lithuania	2002	-	100	The company is liquidated.
AB Ventus nafta	Lithuania	2002	100	99,74	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	Wholesale trading in petroleum products in Poland. This company is a subsidiary of UAB Mazeikiu Nafta Trading House which holds 100 percent of shares of this Company. **
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	-	The company is in liquidation process.
AB EMAS	Lithuania	2009	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.

1. General information (continued)

** At the moment of preparation of financial statements this company is no longer engaged in trading of oil products. The main activity is transferred to the Parent company and the controlling Parent company PKN ORLEN S.A. The management is of the opinion that in the near future the company will not carry out any trading of oil products, however no formal decisions in relation to liquidation of the company have been made.

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.

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (IFRS) and their interpretations prepared by International Accounting Standards Board (IASB) and approved by European Union.

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 2010 as prescribed by the Companies Law of the Republic of Lithuania.

2.2 Accounting estimates

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
- Financial assets held for sale are stated at fair value
- Investment property is stated at fair value
- Liabilities to settle in shares 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 5,6,11,12,18,19.

Market uncertainties

The ongoing global liquidity crisis resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition to that, Lithuania and European Union have been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management's assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Group. The future developments in business environment may differ from management's assessment.

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 the 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 and presentation 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 2009 the exchange rate of US Dollar to Lithuanian Litas was USD 1 = 2,4052 LTL, the average annual exchange rate was 1 US Dollar = 2,4828 LTL (2008 : 1 US Dollar = 2,4507 LTL, the average annual rate – 1 US Dollar = 2,3569 LTL).

2.3 Functional and presentation currency (continued)

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 recognised as cumulative translation adjustments as a separate component of equity.

2.4 Changes in accounting policy

There were no changes in the accounting policies during the financial year started as of 1 January 2009.

3. Significant accounting policies

Accounting policies, described below, have been consistently applied by the Group over the whole period in relation to which these consolidated financial statements are presented.

Certain comparative figures have been reclassified to match the presentation of the current year.

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 recognised directly in the profit and loss statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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 consideration 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 recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

3.1 Consolidation (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss statement, and its share of post-acquisition movements in reserves is recognised in reserves. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 and 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 recognised in the profit and loss statement, except when deferred in equity as qualifying cash flow hedges and qualifying 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(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 recognised as a separate component of equity (cumulative translation adjustment).

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 recognised in the profit and loss statement 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 recognised 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 profit and loss statement during the financial period in which they are incurred.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

3.3 Property, plant and equipment (continued)

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

The carrying amount of an item of property, plant and equipment is derecognised 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 derecognised.

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.

(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
– other tangible non-current assets	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 and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

(c) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the assets are stated at fair value and are reclassified into investment property. The newly created asset which will be used as investment property in the future, is accounted for at fair value.

Any income arising from revaluation is recognised as profit or loss if it deletes the previous impairment of a specific asset. The remaining income is recognised as other comprehensive income in the revaluation reserve in equity. Any loss is recognised as other comprehensive income in the revaluation reserve if the amount was previously included in the revaluation reserve related to a specific asset, whereas the remaining loss is immediately recognised as profit or loss.

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 balance sheet. 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 recognised 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.

3.4 Intangible assets (continued)

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 licences

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

(c) Computer software

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

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, except for disposal of the assets used in the ordinary activity for production of goods, rendering of services or administration needs. Investment property is stated at fair value. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

In cases when the purpose of an investment property changes, it is reclassified into property, plant and equipment and its fair value becomes an acquisition cost of that asset.

3.7 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;

3.7 Financial assets (continued)

-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 balance sheet 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 with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the date of statement of financial position. 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. Bonds issued by financial institutions, which are not traded in an active market and are classified as part of the loans and receivables measurement category, are included in cash and cash equivalents 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 statement of financial position in which case they are included in current assets.

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. Investments 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.

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; translation differences on non-monetary securities are recognised in equity. 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. All other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity 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.

3.7 Financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset 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 recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised 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 recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. Impairment testing of trade receivables is described.

3.8 Inventories

Inventories are stated at the lower of cost or net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 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 are 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 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 recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.10 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.

3.11 Share capital

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

3.12 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.

3.13 Borrowings

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.

3.14 Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The non-monetary assets and liabilities of the Group are measured in its functional currency USD, and the Group's taxable profit and, hence, the tax base of its non-monetary assets and liabilities, is determined in LTL. Changes in the exchange rate give rise to temporary differences that result in a recognition of deferred tax liability or asset. The resulting deferred tax is charged or credited to the statement of comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.15 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 balance sheet in respect of long-term employee benefits is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated at each balance sheet 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.

3.16 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.

3.16 Provisions (continued)

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.

3.17 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.

3.18 Application of new standards and interpretations

The applied accounting principles are consistent with the accounting principles of the previous year, except that the Parent company has introduced the new/revised standards and their interpretations which are effective for financial periods starting on or after 1 January 2009 and which are relevant for the Group's activity:

- Amended IAS 23 *Borrowing Costs* (effective for financial periods starting on 1 January 2009) has been applied as of the date stated in the Standard. The effect of application is described in Note 5.

- The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparable information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Amendments to IFRS 4 *Insurance Contracts* and IFRS 7 *Financial instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2009) aim at requiring enhanced disclosures about fair value measurements and liquidity risk associated with financial instruments. These amendments have been adopted by the Group to the extent applicable to the Group's operations. Comparative information has been re-presented so that it also is in conformity with the revised standard.

- Amendment to IAS 27 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.

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Parent company's financial statements in accounting periods beginning after 1 January 2009. Below is the estimate of the Parent company's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- *Amended IFRS 3 "Business Combinations"*

  Amendment to IFRS 3 is effective 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. Revised IFRS 3 is not relevant to the Group's financial statements as the Group does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

3.18 Application of new standards and interpretations (continued)

- *Amended IAS 32 "Financial Instruments: Presentation – Classification of Rights issues"*

  Amendment to IAS 32 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 at any time in the past.

- *Amended IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"*

  The amended Standard 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. Management has not yet evaluated an impact of the amendments to IAS 39 on the Group's financial statements.

- *IFRIC 12 "Service concession arrangements"*

  The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

  IFRIC 12 is effective for first annual periods beginning on or after 1 April 2009. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation.

- *IFRIC 15 "Arrangements for the construction of Real Estate"*

  IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity.

  IFRIC 15 is effective for annual periods beginning on or after 1 January 2010. IFRIC 15 is not relevant to the Group's financial statements as the Group does not provide real estate construction services or develop real estate for sale.

- *IFRIC 16 "Hedges of a Net Investment in Foreign Operation"*

  The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

  IFRIC 16 is effective for annual periods beginning on or after 1 July 2009. IFRIC 16 is not relevant to the Group's financial statements as the group does not have any investments in a foreign operation.

- *IFRIC 17 "Distributions of Non-cash Assets to Owners"*

  The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

  IFRIC 17 is effective for annual periods beginning on or after 15 July 2009. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders it is not possible to determine the effects of application in advance.

3.18 Application of new standards and interpretations (continued)

- *IFRIC 18 "Transfers of Assets from Customers"*
  IFRIC 18 is effective prospectively for transfers of assets from customers received on or after 1 July 2009. The Interpretation applies to the accounting by entities that receive contributions of property, plant and equipment from their customers. The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the contributed item meets the criteria for property, plant and equipment in IAS 16, *Property, Plant and Equipment*. The Interpretation also requires the entity to recognize the amount as revenue; the timing of the revenue recognition will depend on the facts and circumstances of the particular agreement. The Interpretation is not relevant to the Group's financial statements as the Group does not receive in scope asset contributions from its customers.

3.19 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.

3.20 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 profit and loss statement over 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.

3.21 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.

3.22 Emission rights

The Group participates in a carbon dioxide 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.

The Group measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances. Any excess emissions to be purchased are measured at the market value of allowances at the period end.

When unused emission allowances are sold, sale proceeds are recognised as income in the statement of comprehensive income.

3.23 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.

The Group allocates costs among the segments directly.

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

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

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	4 283 395	47 741	2 421	-	4 333 557
Income among segments	29 754	536	1 155	-	31 445
Depreciation and amortisation (notes 5-6)	(74 470)	(3 048)	(3 042)	-	(80 560)
Operating profit	54 921	(966)	(53 494)	-	461
Finance income (note 23)	-	-	-	-	4 771
Finance costs (note 23)	-	-	-	-	(24 832)
Share of profit of investments carried at equity method	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 stated at equity method (note 7)	1 624	-	-	-	1 624
Capital investments (notes 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	10 634 813	118 531	6 011	-	10 759 355
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)
Operating profit	136 357	(2 398)	(132 815)	-	1 144
Finance income (note 23)	-	-	-	-	11 846
Finance costs (note 23)	-	-	-	-	(61 654)
Share of profit of investments carried at equity method	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 stated at equity method (note 7)	3 907	-	-	-	3 907
Capital investments (notes 5-6)	147 641	5 691	5 079	-	158 411
Liabilities	1 209 585	6 723	3 045	1 437 244	2 656 597

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

4. Segment information (continued)

Segment information for the year ended 31 December 2008 is as follows :

USD	**Oil refinery and wholesale**	**Retail sales**	**Business maintenance and administration**	**Not allocated**	**Group**
External income	7 385 918	75 649	3 114	-	7 464 681
Income among segments	46 578	225	1003	-	47 806
Depreciation and amortisation (notes 5-6)	(55 215)	(2 744)	(2 737)	-	(60 696)
Operating profit	92 916	669	(53 921)	-	39 664
Finance income (note 23)	-	-	-	-	5 246
Finance costs (note 23)	-	-	-	-	(49 218)
Share of profit of investments carried at equity method	(8)	-	-	-	(8)
Profit (loss) for the period before income tax	-	-	-	-	(4 316)
Impairment of PPE and IA (notes 5-6)	(1 562)	-	(152)	-	(1 714)
Reversal of impairment of PPE and IA (notes 5-6)	12 486	1 425	432	-	14 343
Assets	1 679 987	37 003	25 084	102 863	1 844 937
Investments stated at equity method (note 7)	1 621	-	-	-	1621
Capital investments (notes 5-6)	255 281	9 276	3 699	-	268 256
Liabilities	329 228	3 341	1 517	688 120	1 022 206

LTL	**Oil refinery and wholesale**	**Retail sales**	**Business maintenance and administration**	**Not allocated**	**Group**
External income	17 407 710	178 296	7 339	-	17 593 345
Income among segments	109 779	530	2 364	-	112 673
Depreciation and amortisation (notes 5-6)	(130 135)	(6 467)	(6 451)	-	(143 053)
Operating profit	218 990	1 577	(127 085)	-	93 482
Finance income (note 23)	-	-	-	-	12 363
Finance costs (note 23)	-	-	-	-	(116 000)
Share of profit of investments carried at equity method	(18)	-	-	-	(18)
Profit (loss) for the period before income tax	-	-	-	-	(10 173)
Impairment of PPE and IA (notes 5-6)	(3 682)	-	(358)	-	(4 040)
Reversal of impairment of PPE and IA (notes 5-6)	29 428	3 359	1 018	-	33 805
Assets	4 117 111	90 683	61 473	252 084	4 521 351
Investments stated at equity method (note 7)	3 972	-	-	-	3 972
Capital investments (notes 5-6)	601 676	21 862	8 719	-	632 257
Liabilities	806 836	8 188	3 718	1 686 362	2 505 104

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

4. Segment information (continued)

(b) Secondary reporting format – geographical segments

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

	2009		2008	
Income per countries	**USD**	**LTL**	**USD**	**LTL**
Baltic countries	1 701 274	4 223 923	3 233 298	7 620 488
Other EU countries	1 321 835	3 281 853	2 210 063	5 208 850
Other countries	1 309 693	3 251 705	2 020 000	4 760 897
Total income	4 332 802	10 757 481	7 463 361	17 590 235

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

	2009		2008	
Assets	**USD**	**LTL**	**USD**	**LTL**
Lithuania	1 733 679	4 169 843	1 659 976	4 068 071
Other countries	75 723	182 129	82 098	201 196
	1 809 402	4 351 972	1 742 074	4 269 267
Investments stated at equity method (note 7)	1 624	3 907	1 621	3 972
Not allocated assets	83 908	201 815	102 863	252 084
Total assets	1 894 934	4 557 694	1 846 558	4 525 323

	2009		2008	
Capital investments	**USD**	**LTL**	**USD**	**LTL**
Lithuania	62 029	154 006	268 211	632 152
Other countries	72	178	45	105
Total capital investments	62 101	154 184	268 256	632 257

	2009		2008	
Analysis of income per groups	**USD**	**LTL**	**USD**	**LTL**
Income from goods	4 273 342	10 609 855	7 411 032	17 466 902
Income from services	24 770	61 498	52 329	123 333
Income from sale of carbon dioxide emission rights	34 690	86 128	-	-
Total income	4 332 802	10 757 481	7 463 361	17 590 235

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5. Property, plant and equipment

USD	Land and buildings	Plant and machinery	Other tangible non-current assets	Construction in progress	Total
Acquisition cost					
Balance at 1 January 2008	97 045	747 602	78 749	465 866	1 389 262
Additions	1 035	146 771	37 447	79 530	264 783
Disposals/write-offs	(5 827)	(10 141)	(8 044)	(12 136)	(36 148)
Reclassifications	3 859	287 989	2 751	(294 599)	-
Reclassifications from/to other assets	-	(65)	(439)	2 170	1 666
Exchange differences	(1 149)	(729)	(589)	(57)	(2 524)
Balance at 31 December 2008	94 963	1 171 427	109 875	240 774	1 617 039
Balance at 1 January 2009	94 963	1 171 427	109 875	240 774	1 617 039
Additions	2 328	33 762	2 803	23 473	62 366
Disposals/write-offs	(16)	(5 845)	(14 435)	(2 006)	(22 302)
Reclassifications	1 678	176 332	16 364	(194 374)	-
Reclassifications from/to other assets	1 408	8 034	(2 121)	(17)	7 304
Exchange differences	499	336	268	40	1 143
Balance at 31 December 2009	100 860	1 384 046	112 754	67 890	1 665 550
Depreciation and impairment					
Balance at 1 January 2008	(39 980)	(377 913)	(39 831)	(17 217)	(474 941)
Depreciation for the year	(2 878)	(47 061)	(9 760)	-	(59 699)
Impairment for the year	-	(754)	-	(960)	(1 714)
Reversal of impairment	1 005	627	360	12 351	14 343
Disposals/write-offs	474	8 951	7 599	-	17 024
Reclassifications from/to other assets	-	65	423	-	488
Exchange differences	368	404	293	23	1 088
Balance at 31 December 2008	(41 011)	(415 681)	(40 916)	(5 803)	(503 411)
Balance at 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
Reclassifications	-	(11)	11	-	-
Reclassifications from/to other assets	(124)	(766)	1 866	-	976
Exchange differences	(237)	(225)	(140)	(10)	(612)
Balance at 31 December 2009	(44 289)	(473 575)	(50 511)	(5 520)	(573 895)
Carrying amount					
1 January 2008	57 065	369 689	38 918	448 649	914 321
31 December 2008	53 952	755 746	68 959	234 971	1 113 628
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

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5. Property, plant and equipment (continued)

LTL	Land and buildings	Plant and machinery	Other tangible non-current assets	Construction in progress	Total
Acquisition cost					
Balance at 1 January 2008	228 754	1 762 247	185 628	1 098 139	3 274 768
Additions	2 439	345 921	88 259	187 442	624 061
Disposals/write-offs	(13 735)	(23 902)	(18 958)	(28 602)	(85 197)
Reclassifications	9 095	678 755	6 484	(694 334)	-
Reclassifications from/to other assets	-	(153)	(1 035)	5 114	3 926
Exchange differences	6 171	107 924	8 892	22 301	145 288
Balance at 31 December 2008	232 724	2 870 792	269 270	590 060	3 962 846
Balance at 1 January 2009	232 724	2 870 792	269 270	590 060	3 962 846
Additions	5 780	83 824	6 959	58 281	154 844
Disposals/write-offs	(40)	(14 513)	(35 839)	(4 980)	(55 372)
Reclassifications	4 165	437 797	40 628	(482 590)	-
Reclassifications from/to other assets	3 495	19 947	(5 266)	(43)	18 133
Exchange differences	(3 534)	(68 944)	(4 556)	2 562	(74 472)
Balance at 31 December 2009	242 590	3 328 903	271 196	163 290	4 005 979
Depreciation and impairment					
Balance at 1 January 2008	(94 240)	(890 817)	(93 890)	(40 584)	(1 119 531)
Depreciation for the year	(6 783)	(110 917)	(23 004)	-	(140 704)
Impairment for the year	-	(1 777)	-	(2 263)	(4 040)
Reversal of impairment	2 368	1 478	849	29 110	33 805
Disposals/write-offs	1 117	21 097	17 909	-	40 123
Reclassifications from/to other assets	-	153	997	-	1 150
Exchange differences	(2 967)	(37 918)	(3 133)	(485)	(44 503)
Balance at 31 December 2008	(100 505)	(1 018 701)	(100 272)	(14 222)	(1 233 700)
Balance at 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
Reclassifications	-	(28)	28	-	-
Reclassifications from/to other assets	(309)	(1 903)	4 633	-	2 421
Exchange differences	1 529	22 843	2 257	216	26 845
Balance at 31 December 2009	(106 527)	(1 139 039)	(121 489)	(13 278)	(1 380 333)
Carrying amount					
1 January 2008	134 514	871 430	91 738	1 057 555	2 155 237
31 December 2008	132 219	1 852 091	168 998	575 838	2 729 146
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

Allocation of depreciation costs:

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Cost of sales	69 301	172 064	51 824	122 143
Selling and marketing costs	6 116	15 182	5 930	13 977
Administrative expenses	4 239	10 525	1 945	4 584
	79 656	197 771	59 699	140 704

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5. Property, plant and equipment (continued)

As at 31 December 2009 property, plant and equipment with the net book amount of USD 11 999 thousand or LTL 28 860 thousand (2008 : USD 2 812 thousand or LTL 6 891 thousand) were provided as collateral for bank borrowings.

As at 31 December 2009 capitalised borrowings amounted to USD 3 560 thousand or LTL 8 702 thousand (no material borrowing costs were capitalised as at 31 December 2008). In 2009 the weighted average of borrowing costs was 0.35%.

6. Intangible assets

USD	Goodwill	Software	Patents and licences	Software under development	Total
Acquisition cost					
Balance at 1 January 2008	2 669	11 087	11 881	-	25 637
Additions	111	2 237	500	625	3 473
Disposals/write-offs	-	(242)	(412)	-	(654)
Reclassifications	-	532	(127)	(405)	-
Reclassifications from/to other assets	-	2	(2 172)	-	(2 170)
Exchange differences	-	(8)	(5)	(54)	(67)
Balance at 31 December 2008	2 780	13 608	9 665	166	26 219
Balance at 1 January 2009	2 780	13 608	9 665	166	26 219
Additions	18	1 376	1	42	1 437
Disposals/write-offs	-	(47)	-	-	(47)
Reclassifications	-	27	-	(27)	-
Reclassifications from/to other assets	-	(6)	23	-	17
Exchange differences	-	(12)	-	1	(11)
Balance at 31 December 2009	2 798	14 946	9 689	182	27 615
Amortisation and impairment					
Balance at 1 January 2008	-	(7 575)	(5 990)	-	(13 565)
Amortisation for the year	-	(940)	(57)	-	(997)
Disposals/write-offs	-	59	-	-	59
Exchange differences	-	38	5	-	43
Balance at 31 December 2008	-	(8 418)	(6 042)	-	(14 460)
Balance at 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	-	47	-	-	47
Exchange differences	-	21	-	-	21
Balance at 31 December 2009	-	(9 247)	(6 230)	-	(15 477)
Carrying amount					
1 January 2008	2 669	3 512	5 891	-	12 072
31 December 2008	2 780	5 190	3 623	166	11 759
1 January 2009	2 780	5 190	3 623	166	11 759
31 December 2009	2 798	5 699	3 459	182	12 138

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Intangible assets (continued)

LTL	Goodwill	Software	Patents and licences	Software under development	Total
Acquisition cost					
Balance at 1 January 2008	6 290	26 135	28 005	-	60 430
Additions	272	5 272	1 178	1 474	8 196
Disposals/write-offs	-	(570)	(971)	-	(1 541)
Reclassifications	-	1 254	(299)	(955)	-
Reclassifications from/to other assets	-	5	(5 119)	-	(5 114)
Exchange differences	251	1 252	893	(111)	2 285
Balance at 31 December 2008	6 813	33 348	23 687	408	64 256
Balance at 1 January 2009	6 813	33 348	23 687	408	64 256
Additions	45	3 416	2	104	3 567
Disposals/write-offs	-	(117)	-	-	(117)
Reclassifications	-	68	-	(68)	-
Reclassifications from/to other assets	-	(15)	58	-	43
Exchange differences	(129)	(752)	(443)	(7)	(1 331)
Balance at 31 December 2009	6 729	35 948	23 304	437	66 418
Amortisation and impairment					
Balance at 1 January 2008	-	(17 857)	(14 119)	-	(31 976)
Amortisation for the year	-	(2 215)	(134)	-	(2 349)
Disposals/write-offs	-	139	-	-	139
Exchange differences	-	(697)	(554)	-	(1 251)
Balance at 31 December 2008	-	(20 630)	(14 807)	-	(35 437)
Balance at 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	-	117	-	-	117
Exchange differences	-	500	290	-	790
Balance at 31 December 2009	-	(22 240)	(14 983)	-	(37 223)
Carrying amount					
1 January 2008	6 290	8 278	13 886	-	28 454
31 December 2008	6 813	12 718	8 880	408	28 819
1 January 2009	6 813	12 718	8 880	408	28 819
31 December 2009	6 729	13 708	8 321	437	29 195

Allocation of amortisation costs:

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Cost of sales	21	53	63	149
Selling and marketing costs	4	8	6	14
Administrative expenses	879	2 183	928	2 186
	904	2 244	997	2 349

The Group does not have internally generated intangible assets.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

7. Investments stated at equity method

	2009		2008	
	USD	LTL	USD	LTL
Beginning of the year	1 621	3 972	1 664	3 922
Exchange differences	(9)	(96)	(35)	68
Share of profit (loss), net of tax	12	31	(8)	(18)
End of the year	1 624	3 907	1 621	3 972

Investments stated at equity method represent an investment in a 34% interest held in Naftelf UAB, incorporated in Lithuania. No dividends were received from the mentioned company in 2009 and 2008.

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

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

	2009		2008	
	USD	LTL	USD	LTL
Assets	4 773	11 850	4 712	11 547
Liabilities	145	360	49	119
Revenues	5 668	14 072	10 040	23 662
Profit (loss) for the year	67	167	(23)	(54)

8. Other investments

Other investments include term deposits, the duration of which is 15-24 months. An annual effective average weighted interest rate on the term deposits was 6 %.

9. Deferred income tax

USD	Assets		Liabilities		Balance	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	30 893	36 431	-	-	30 893	36 431
Intangible assets	4	34	-	-	4	34
Long-term receivables and prepayments	94	158	-	-	94	158
Inventories	2 916	9 612	-	-	2 916	9 612
Trade and other receivables	-	6	(4 016)	(48)	(4 016)	(42)
Long-term employee benefits	1 090	1 821	-	-	1 090	1 821
Provisions	6 923	1 741	-	-	6 923	1 741
Trade and other payables	1 900	2 102	(317)	-	1 583	2 102
Investment incentive	1 016	-	-	-	1 016	-
Tax losses	38 884	41 834	-	-	38 884	41 834
Total	83 720	93 739	(4 333)	(48)	79 387	93 691

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

9. Deferred income tax (continued)

LTL	Assets		Liabilities		Balance	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	74 301	89 281	-	-	74 301	89 281
Intangible assets	10	83	-	-	10	83
Long-term receivables and prepayments	226	387	-	-	226	387
Inventories	7 014	23 556	-	-	7 014	23 556
Trade and other receivables	-	15	(9 659)	(118)	(9 659)	(103)
Long-term employee benefits	2 622	4 463	-	-	2 622	4 463
Provisions	16 651	4 267	-	-	16 651	4 267
Trade and other payables	4 570	5 151	762	-	3 808	5 151
Investment incentive	2 444	-	-	-	2 444	-
Taxable losses	93 524	102 522	-	-	93 524	102 522
Total	201 362	229 725	(10 421)	(118)	190 941	229 607

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 2 505 thousand or LTL 6 024 thousand (2008 : USD 2 544 thousand or LTL 6 234 thousand) for losses amounting to USD 16 698 thousand or LTL 40 161 thousand (2008 : USD 12 717 thousand arba LTL 31 168 thousand), which were incurred by the subsidiary AB Ventus Nafta due to detrimental performance and which may be carried forward against future taxable profit.

According to the Law on Corporate Income Tax, a company can reduce its taxable profit by an amount of costs actually incurred in relation to investment projects if these projects comply with the conditions prescribed by the Law. The taxable profit can be decreased by not more than 50 %. If the amount of actually incurred costs exceeds 50 % of the taxable profit for the period, the excess amount can be carried forward to four subsequent taxable periods for reduction of taxable profit calculated for these periods. The amount of the mentioned costs shall be decreased accordingly. However, the taxable profit calculated for each taxable period cannot be reduced more than by 50%. The deferred tax asset was calculated for the investment projects carried out in 2009.

USD	Balance at 1 January 2008	Recognised in statement of comprehen-sive income	Exchange differences	Balance at 31 December 2008	Recognised in statement of comprehen-sive income	Exchange differences	Balance at 31 December 2009
Property, plant and equipment	39 234	(2 803)	-	36 431	(5 538)	-	30 893
Intangible assets	179	(145)	-	34	(30)	-	4
Long-term receivables and prepayments	131	27	-	158	(64)	-	94
Inventories	2 963	6 649	-	9 612	(6 709)	13	2 916
Trade and other receivables	189	(231)	-	(42)	(3 974)	-	(4 016)
Long-term employee benefits	1 830	(9)	-	1 821	(730)	(1)	1 090
Provisions	1 145	596	-	1 741	5 182	-	6 923
Trade and other payables	6 484	(4 433)	51	2 102	(515)	(4)	1 583
Investment incentive	-	-	-	-	1 016	-	1 016
Tax losses	12 223	29 611	-	41 834	(2 952)	2	38 884
Total	64 378	29 262	51	93 691	(14 314)	10	79 387

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

9. Deferred income tax (continued)

LTL	Balance at 1 January 2008	Recognised in statement of comprehen-sive income	Exchange differences	Balance at 31 December 2008	Recognised in statement of comprehen-sive income	Exchange differences	Balance at 31 December 2009
Property, plant and equipment	92 482	(6 606)	3 405	89 281	(13 751)	(1 229)	74 301
Intangible assets	422	(342)	3	83	(74)	1	10
Long-term receivables and prepayments	309	64	14	387	(159)	(2)	226
Inventories	6 985	15 670	901	23 556	(16 657)	115	7 014
Trade and other receivables	446	(544)	(5)	(103)	(9 867)	311	(9 659)
Long-term employee benefits	4 313	(19)	169	4 463	(1 812)	(29)	2 622
Provisions	2 700	1 402	165	4 267	12 866	(482)	16 651
Trade and other payables	15 284	(10 448)	315	5 151	(1 279)	(64)	3 808
Investment incentive	-	-	-	-	2 523	(79)	2 444
Tax losses	28 811	69 790	3 921	102 522	(7 329)	(1 669)	93 524
Total	151 752	68 967	8 888	229 607	(35 539)	(3 127)	190 941

10. Long-term receivables and prepayments

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Prepayments for PPE and IA	245	590	13 484	33 046
Trade receivables	1 461	3 515	1 569	3 845
Other long-term receivables from related parties (note 28)	-	-	967	2 370
Other long-term receivables	208	500	191	468
Loans issued to employees	42	101	64	157
Total long-term receivables and prepayments	1 956	4 706	16 275	39 886

Fair values of long-term receivables equal to their carrying amounts.

11. Inventories

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Recognised at possible net realisable value				
Raw materials and consumables	-	-	5 764	14 126
Finished production and goods for sale	26 324	63 314	43 297	106 107
Secondary products	2 191	5 270	7 539	18 476
Total recognised at possible net realisable value	28 515	68 584	56 600	138 709
Recognised at cost				
Raw materials and consumables	147 797	355 482	71 756	175 849
Finished production and goods for sale	125 305	301 381	78 756	193 006
Secondary products	28 817	69 310	15 359	37 640
Spare parts and other stock	63 636	153 056	61 411	150 499
Total cost	365 555	879 229	227 282	556 994
Impairment of net realisable value of spare parts and other stock recognised at cost	(13 611)	(32 737)	(13 611)	(33 356)
Total inventories	380 459	915 076	270 271	662 347

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

11. Inventories (continued)

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

Change in impairment of net realisable value of spare parts and other stock, stated at cost, was included in general administrative costs in 2008. No impairment was recognised in the year 2009.

In 2009 inventories expensed in the statement of comprehensive income amounted to USD 3 881 591 thousand or LTL 9 637 215 thousand (2008 : USD 7 050 289 thousand or LTL 16 616 679 thousand).

No inventories were pledged in 2009 and 2008 to secure letters of credit and guarantees issued by the banks on behalf of the Group.

12. Trade and other receivables

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Trade receivables	146 054	351 290	130 894	320 779
Less: impairment of receivables	(17 341)	(41 707)	(17 234)	(42 235)
Trade receivables, net	128 713	309 583	113 660	278 544
Receivable from related parties (note 28)	15 393	37 022	16 088	39 426
Receivable insurance premium	-	-	65 671	160 939
Accrued income and deferred costs from related parties (note 28)	7 208	17 337	15 501	37 988
Accrued income and deferred costs	2 626	6 316	2 095	5 135
Advance corporate income tax	4 521	10 874	9 172	22 471
Advance taxes other than corporate income tax	949	2 283	881	2 165
Other receivables	41 811	100 563	16 720	40 975
Less: impairment of receivables	(9 275)	(22 308)	(1 868)	(4 578)
Other receivables, net	32 536	78 255	14 852	36 397
	191 946	461 670	237 920	583 065

The insurance compensation of USD 65 671 thousand or LTL 160 939 thousand, receivable in 2008, is related to coverage of damage due to fire occurred in 2006.

Trade and other receivables are interest free and the term for their settlement is normally 21 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 2008	16 194	38 172	1 662	3 918
Change in impairment due to recovery of loans	(4)	(9)	(7)	(17)
Impairment for the year	1 159	2 732	209	493
Exchange differences	(115)	1 340	4	184
Balance at 31 December 2008	17 234	42 235	1 868	4 578
Change in impairment due to recovery of loans	(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

Trade and other receivables are expensed when the management is sure that these amounts will not be recovered. Change in impairment of doubtful receivables for 2009 and 2008 is included in general and administrative costs in the statement of comprehensive income.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

12. Trade and other receivables (continued)

The ageing analysis of trade receivables as at 31 December 2009 and 2008 is as follows:

	2009		2008	
	USD	LTL	USD	LTL
Due	124 349	299 083	104 126	255 181
Overdue:				
Less than 30 days	3 097	7 449	8 518	20 874
30-59 days	774	1 862	756	1 852
60-89 days	369	888	71	174
90-359 days	217	522	472	1 156
More than 360 days	17 248	41 486	16 951	41 542
Total overdue	21 705	52 207	26 768	65 598
Total	146 054	351 290	130 894	320 779

13. Other investments including derivatives

The subsidiary OU Mazeikiu Nafta Trading House, Estonia has agreements with customers regarding fixed prices for bitumen. At the same time, the company has signed with the bank a SWAP agreement for goods to compensate fluctuations of market prices. When preparing the financial statements as at 31 December 2009, the not realised result of price differences was recognised under the item of other investments including derivatives in the statement of financial position.

14. Cash and cash equivalents

	2009		2008	
	USD	LTL	USD	LTL
Cash at bank and in hand	68 222	164 088	86 928	213 032
Short-term deposits	65 387	157 269	6 128	15 018
	133 609	321 357	93 056	228 050

An average maturity of these deposits is 99 days (2008 : 91 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:

	2009		2008	
	USD	LTL	USD	LTL
Cash and short-term deposits held at banks to secure issued letters of credit	12 969	31 193	18 384	45 053
Cash held at banks to secure guaranties issued by banks	5 193	12 490	8 357	20 481
	18 162	43 683	26 741	65 534

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 43 515 thousand or LTL 104 662 thousand (2008: USD 8 452 thousand or LTL 20 713 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:

14. Cash and cash equivalents (continued)

	2009		2008	
	USD	LTL	USD	LTL
US dollar	24 006	57 739	10 148	24 869
Lithuanian Litas	97 719	235 035	44 557	109 195
Euro	2 002	4 815	26 656	65 325
Other	9 882	23 768	11 695	28 661
	133 609	321 357	93 056	228 050

15. Share capital and reserves

As at 31 December 2009, the Parent company's authorised share capital comprised 708 821 122 (2008 : 708 821 122) ordinary registered shares with a par value of LTL 1 per share. All issued shares are fully paid in.

There were no changes in the share capital during 2009 and 2008.

The main shareholder of the Parent company is PKN ORLEN S.A., controlling 100 % shares. In the years 2009 and 2008 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.

A revaluation reserve is related to revaluation of property, plant and equipment.

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.

	2009		2008	
	USD	LTL	USD	LTL
Profit attributable to shareholders of the Parent company	(34 358)	(85 304)	23 374	55 089
Weighted average number of ordinary shares in issue (thousands)	708 821	708 821	708 821	708 821
Basic earnings per share	(0.048)	(0.120)	0.033	0.078

Diluted

The Parent company does not have potentially dilutive ordinary shares.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

17. Borrowings

	2009		2008	
	USD	LTL	USD	LTL
Loans from related parties (note 28)	-	-	253 385	620 966
Loans from other institutions	180 782	434 817	-	-
Loans from banks	94 337	226 900	132 403	324 477
Total long-term borrowings	275 119	661 717	385 788	945 443
Bank account credit	211 365	508 375	232 789	570 491
Loans from related parties (note 28)	-	-	36 465	89 364
Current part of loans from other institutions	72 614	174 651	-	-
Current part of long-term loans from banks	38 231	91 953	21 959	53 815
Finance lease liabilities	-	-	9 799	24 015
Total short-term borrowings	322 210	774 979	301 012	737 685
Total borrowings	597 329	1 436 696	686 800	1 683 128

	Currency	Interest rate	Maturity	Principal amount	Balance at 31-12-2009 USD	LTL
Government of Lithuania	USD	7%	2013-07-12	288 928	252 812	608 063
Ministry of Finance of Lithuania	EUR	4.95%	2011-04-15	2 507	584	1 405
AB SEB bankas/AS UniCredit Bank Lithuania branch	USD	3 month USDLibor+margin%	2013-07-11	150 000	131 250	315 683
NORDEA Bankas	EUR	3 month EURIBOR+margin%	2011-12-31	2 204	1 318	3 170
AB Swedbank (overdraft)	USD	1 month USDLibor+margin%	2010-09-10	50 000	360	866
NORDEA Bankas (overdraft)	USD	O/N USDLibor +margin%	2010-06-21	80 000	73 205	176 073
AB DnB Nord Bankas (overdraft)	USD	1 month USDLibor+margin%	2010-11-26	50 000	48 646	117 003
AB SEB Bankas (overdraft)	USD	O/N USD Libor +margin%	2010-05-31	120 000	84 812	203 990
Nordea Bankas	LT	O/N Vilibor+margin%	2010-03-31	6 652	3 350	8 057
Faktoringas Swedbank Liising AS	EUR	12 month EURIBOR+margin%	2010-05-21	10 643	992	2 386
					597 329	1 436 696

	Currency	Interest rate	Maturity	Principal amount	Balance at 31-12-2008 USD	LTL
Government of Lithuania	USD	7%	2013-07-12	288 928	288 928	708 068
Ministry of Finance of Lithuania	EUR	4.95%	2011-04-15	2 460	922	2 262
AB SEB bankas/AS UniCredit Bank Lithuania branch	USD	3 month USDLibor+margin%	2013-07-11	150 000	150 000	367 602
NORDEA Bankas	EUR	3month EURIBOR+margin%	2011-12-31	2 163	1 730	4 240
Hansa Bankas	USD	6 month USDLibor+margin%	2009-01-01	50 000	2 632	6 450
AB Swedbank (overdraft)	USD	1 month USDLibor+margin%	2009-09-12	50 000	31 417	76 993
NORDEA Bankas (overdraft)	USD	O/N USD Libor+margin %	2009-06-19	80 000	79 372	194 515
AB DnB Nord Bankas (overdraft)	USD	1 month USDLibor+margin%	2009-11-30	50 000	36 811	90 212
AB SEB Bankas (overdraft)	USD	O/N USD Libor+margin%	2009-01-21	120 000	77 099	188 945
Nordea Bankas	LT	O/N Vilibor+margin%	2009-03-31	8 161	8 090	19 826
Finance lease	EUR	3.75%	-	9 799	9 799	24 015
					686 800	1 683 128

Finance lease liabilities as at 31 December 2008 comprise lease of metal (platinum) used for production of catalyst recognised under equity of the Parent company. The finance lease liability was settled by the relevant amount of the regenerated metal.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

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

17. Borrowings (continued)

Borrowings amounting to USD 131 250 thousand or LTL 315 683 thousand (2008 : USD 152 632 thousand or LTL 374 052 thousand) are guaranteed by the Government of the Republic of Lithuania.

Bank borrowings amounting to USD 343 933 thousand or LTL 827 228 thousand (2008 : USD 387 151 thousand or LTL 948 783 thousand) are bearing floating interest rate with re-pricing period between 1 and 6 months. Borrowings from other institutions amounting to USD 253 396 thousand or LTL 609 468 thousand (2008 : USD 289 850 thousand or LTL 710 330 thousand) are bearing fixed interest rates.

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

	2009		2008	
	USD	LTL	USD	LTL
6 months or less	36 304	87 318	171	419
6 to 12 months	36 310	87 333	36 294	88 945
1 to 5 years	180 782	434 817	253 385	620 966
	253 396	609 468	289 850	710 330

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

	2009		2008	
	USD	LTL	USD	LTL
Between 1 - 2 years	220 253	529 753	221 190	542 066
Between 2 - 5 years	54 866	131 964	164 598	403 377
	275 119	661 717	385 788	945 443

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

	2009			2008	
	USD	Other		USD	Other
Bank account credit	2,2%	2,5%		3,3 %	3,5 %
Bank loans	0,8%	1,2%		3,8 %	3,5 %
Loans from other institutions	7%	4,9%		-	-
Loans from related parties	-	-		7%	4,9%
Finance lease liabilities	-	-		-	3,7%

Fair values of long-term borrowings which bear fixed interest rates:

	2009		2008	
	USD	LTL	USD	LTL
Borrowings	272 317	654 977	294 068	720 667

The fair values have been estimated on the basis of cash flows discounted with the 1,75 % interest rate as born by loans in 2009 (2008 : 2,75 %). Carrying amounts of long-term interest bearing loans and short-term loans are close to their fair values.

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

	2009		2008	
	USD	LTL	USD	LTL
US dollars	591 084	1 421 676	666 258	1 632 786
Other currencies	6 245	15 020	20 542	50 342
	597 329	1 436 696	686 800	1 683 128

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

17. Borrowings (continued)

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

	2009		2008	
	USD	LTL	USD	LTL
- expiry term within one year	111 436	268 026	75 372	184 713

The borrowings outstanding as of 31 December 2009 and 31 December 2008 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	2009		2008	
	USD	LTL	USD	LTL
Long-term employee benefits	7 298	17 554	9 247	22 661

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):

	2010	2011
Inflation, average	0 %	2 %
GDP actual growth	1 %	4 %
Nominal growth of salaries	(1) %	3.5 %

The below provided is brake down of employee benefits:

	2009		2008	
	USD	LTL	USD	LTL
Present value of employee benefits	12 884	30 988	18 254	44 736
Unrecognized costs for past services	(5 586)	(13 435)	(9 007)	(22 075)
Long-term employee benefits	7 298	17 553	9 247	22 661

Net periodical costs are as follows:

	2009		2008	
	USD	LTL	USD	LTL
Present service cost	682	1 640	1 238	3 035
Interest expenses	767	1 844	1 036	2 539
Actuarial (profit) / loss	(2 554)	(6 144)	(2 747)	(6 731)
Adjustment to previous expenses	(1 018)	(2 448)	(2 105)	(5 159)
Past service cost	-	-	(1)	(3)
Exchange differences	174	-	(468)	-
	(1 949)	(5 108)	(3 047)	(6 319)

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

19. Provisions

USD

	Emission rights	Claims received from customers	Environmental liabilities	Reorganisation costs	Total
Balance at 1 January 2008	-	1 357	7 636	4 458	13 451
Recognised in statement of comprehensive income					
- additional provisions	-	-	451	4 578	5 029
Used during the period	-	-	(455)	(4 458)	(4 913)
Currency exchange differences	-	-	(285)	-	(285)
Balance at 31 December 2008	-	1 357	7 347	4 578	13 282
Non-current	-	-	4 729	-	4 729
Current	-	1 357	2 618	4 578	8 553
Total provisions	-	1 357	7 347	4 578	13 282
Balance at 1 January 2009	-	1 357	7 347	4 578	13 282
Recognised 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

LTL

	Emission rights	Claims received from customers	Environmental liabilities	Reorganisation costs	Total
Balance at 1 January 2008	-	3 199	18 000	10 507	31 706
Recognised in statement of comprehensive income					
- additional provisions	-	-	1 090	11 218	12 308
Used during the period	-	-	(1 085)	(10 507)	(11 592)
Currency exchange differences	-	127	-	-	127
Balance at 31 December 2008	-	3 326	18 005	11 218	32 549
Non-current	-	-	11 589	-	11 589
Current	-	3 326	6 416	11 218	20 960
Total provisions	-	3 326	18 005	11 218	32 549
Balance at 1 January 2009	-	3 326	18 005	11 218	32 549
Recognised 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

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

19. Provisions (continued)

(a) Emission rights

In December 2009 the Parent company sold 1 934 000 tons of carbon dioxide emission rights and immediately concluded provisional contracts for repurchase, which will be discharged in December 2010. A provision was established for an amount of actual emission rights for 1 966 553 tons (not audited figure) in 2009. The provision has been calculated based on an average price of repurchase contracts.

(b) Claims received from suppliers

In 2007, a claim was received from the contractor Black&Weach regarding outstanding invoices for the provided services, without the main agreement between the parties. Black&Weach" International Company initiated an arbitrage process, which ended in 2009 not in favour of the Parent company. At the reporting date all outstanding amounts were settled.
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 arbitrage 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 arbitration board has been formed and the case will be examined in 2010. The management of the Parent company is of the opinion that it is probable that the Parent company shall be obligated to settle the amount. Therefore, a provision of USD 5 127 thousand or LTL12 331 thousand has been established in the financial statements as at 31 December 2009.
In 2009 Haldor Topsoe A/S initiated an arbitrage process against the Parent company due to default. The initial claim amount, excluding eventual interest, is EUR 6,5 million. The expected amount of counter claim by the Parent company may amount to EUR 5 million. In 2009 an arbitration board was still not formed. As to the management of the Parent company, the probability that the Parent company shall be obligated to settle the claim amount is sufficiently large. Therefore, a provision of USD 1 114 thousand or LTL 2 679 thousand has been established in the financial statements as at 31 December 2009.

(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 evaluation 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 2009. 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

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Amounts due to related parties (note 28)	310 928	747 837	171 910	421 296
Trade payables	57 888	139 237	54 774	134 234
Income tax liabilities	119	286	811	1 989
Taxes other than corporate income tax	54 271	130 531	52 988	129 857
Accruals and deferred income	18 749	45 095	15 151	37 130
Advances received	2 572	6 187	9 860	24 165
Social security contributions	2 532	6 090	2 365	5 797
Other current liabilities	3 762	9 048	5 018	12 298
	450 821	1 084 311	312 877	766 766

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

21. Expenses by nature

	2009		2008	
	USD	LTL	USD	LTL
Crude oil, industrial raw materials and other inventory	3 893 691	9 667 257	6 936 401	16 348 256
Remuneration	75 267	186 873	83 534	196 879
Railway services	48 864	121 320	83 211	196 119
Change in finished goods and inventories under construction in progress	(38 510)	(95 613)	80 547	189 840
Depreciation and amortisation (Notes 5 and 6)	80 560	200 015	60 696	143 053
Electricity	41 786	103 746	44 961	105 968
Terminal and laboratory services	35 008	86 918	37 984	89 523
Repair and maintenance	23 651	58 721	22 146	52 194
Social security	22 138	54 963	25 296	59 620
Transit and freight	21 005	52 150	25 472	60 033
Costs of material valuables	17 816	44 233	23 878	56 278
Insurance	15 920	39 527	13 480	31 771
Taxes other than corporate income tax	10 165	25 238	10 371	24 442
Additives and catalysts	8 594	21 338	9 719	22 908
Costs of professional services	5 798	14 395	8 337	19 649
Lease	5 511	13 682	7 259	17 109
Change in impairment of trade (note 12)	7 316	18 165	1 358	3 202
Change in long-term employee benefits	(2 481)	(6 160)	(2 636)	(6 461)
Change in provisions (note 19)	35 380	84 593	116	716
Other costs	24 217	63 374	24 178	56 789
Total costs	4 331 696	10 754 735	7 496 308	17 667 888
Classified as:				
- cost of sales	4 112 477	10 210 459	7 242 728	17 070 233
- selling and marketing expenses	131 987	327 697	182 303	429 666
- administrative expenses	87 232	216 579	71 277	167 989
	4 331 696	10 754 735	7 496 308	17 667 888

22. Other activity

	2009		2008	
	USD	LTL	USD	LTL
Insurance compensation received/receivable	-	-	74 266	175 038
Income from sale of non-current assets	287	713	607	1 431
Other income	468	1 161	713	1 676
Total other activity income	755	1 874	75 586	178 145
Loss from liquidation of non-current assets	1 385	3 439	2 840	6 692
Other costs	15	37	135	318
Total other activity costs	1 400	3 476	2 975	7 010

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

23. Financial activity

	2009		2008	
	USD	LTL	USD	LTL
Interest income	3 871	9 612	3 773	8 892
Not realised gain from financial derivatives	301	748	-	-
Other financial income	599	1 486	1 473	3 471
Total financial income	4 771	11 846	5 246	12 363
Interest expenses	22 733	56 443	31 377	73 952
Foreign exchange transaction losses	2 099	5 211	17 827	42 017
Realised losses from financial derivatives	-	-	14	31
Total financial costs	24 832	61 654	49 218	116 000
Total result from financial activity:	(20 061)	(49 808)	(43 972)	(103 637)

24. Income tax expense

	2009		2008	
	USD	LTL	USD	LTL
Income tax expense	(954)	(2 369)	(1 572)	(3 705)
Income tax of the previous year	498	1 237	-	-
Change in deferred tax (note 9)	(14 314)	(35 539)	29 262	68 967
	(14 770)	(36 671)	27 690	65 262

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:

	2009		2008	
	USD	LTL	USD	LTL
Profit (loss) for the period before tax	(19 588)	(48 633)	(4 316)	(10 173)
Profit tax applying 20 % tax rate (2008 – 15%)	3 918	9 726	647	1 526
Effect of different tax rates in other countries	242	602	478	1 127
Effect of changes in tax rates	(26 246)	(65 162)	17 742	41 816
Non-taxable exchange gains	4 823	11 972	(2 016)	(4 753)
Non-taxable income	1 897	4 711	14 748	34 758
Expenses not deductible for tax purposes	232	577	(3 652)	(8 606)
Tax losses for which no deferred income tax asset was recognised	(525)	(1 304)	(257)	(606)
Income tax on dividends paid	(625)	(1 552)	-	-
Incentive on investment in non-current assets	1 016	2 523	-	-
Income tax of previous periods recognised in the current year	498	1 236	-	-
Income tax	(14 770)	(36 671)	27 690	65 262

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.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

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.

(a) Market risk

The ongoing global liquidity crisis resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition to that, Lithuania and European Union have been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management's assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Company. The future developments in business environment may differ from management's assessment.

(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 2009				31 December 2008			
	USD	EUR	LTL	Other	USD	EUR	LTL	Other
Trade and other receivables	66 617	1 387	99 145	26 753	134 142	13 317	76 238	30 498
Cash and cash equivalents	24 006	2 002	97 719	9 882	10 148	26 656	44 557	11 695
Borrowings	(591 084)	(2 895)	(3 350)	-	(666 258)	(12 452)	(8 090)	-
Trade and other payables	(281 058)	(41 492)	(99 864)	(28 407)	(189 442)	(13 246)	(83 304)	(26 885)
Total foreign exchange risk in statement of financial position	(781 519)	(40 998)	93 650	8 228	(711 410)	14 275	29 401	15 308

Evaluation of income and expenses exchange risk was not made as the bigger part of items are related to functional currency USD.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

25.1 Financial risk factors (continued)

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

USD	**2009**	**2008**	**2009**	**2008**
	Average rate		**Reporting date rate**	
LTL	0.403	0.424	0.416	0.408
EUR	1.391	1.465	1.436	1.409

Sensitivity to exchange fluctuation

Growth of functional currency by 10% would make influence on shareholders equity and for the annual result:

	Shareholders equity	**Profit (loss)**
31 December 2009		
LTL	9 365	9 365
EUR	(4 100)	(4 100)
31 December 2008		
LTL	2 031	2 031
EUR	1 428	1 428

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

(ii) *Price risk*

The Group occasionally enters into commodity swap contracts to reduce risk relating to the price volatility.

(b) 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.

The Group restricts placement of cash investments to financial institutions evaluated as highly creditworthy.

Concentrations of customers in the oil industry may impact the Group's overall exposure to credit risk, as these customers may be similarly effected 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.

(c) 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 2009 were 0.864 and 0.399 (as at 31 December 2008 - 0.979 and 0.545 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 2009 and 2008 the Group met expectations of the management as liquidity is concerned.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Repayment of financial liabilities of the Group as at 31 December 2009 and 2008 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 months	6-12 months	1-2 years	2-5 years
31 December 2009						
Borrowings	597 329	(645 560)	(228 405)	(114 994)	(125 338)	(176 823)
Trade and other payable	450 821	(450 821)	(450 821)	-	-	-
	1 048 150	(1 096 381)	(679 226)	(114 994)	(125 338)	(176 823)

LTL	Book value	Non-discounted cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years
31 December 2009						
Borrowings	1 436 696	(1 552 700)	(549 359)	(276 583)	(301 463)	(425 295)
Trade and other payable	1 084 311	(1 084 311)	(1 084 311)	-	-	-
	2 521 007	(2 637 011)	(1 633 670)	(276 583)	(301 463)	(425 295)

USD	Book value	Non-discounted cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years
31 December 2008						
Borrowings	686 800	(752 391)	(98 331)	(224 704)	(255 220)	(174 136)
Trade and other payable	312 877	(312 877)	(312 877)	-	-	-
	999 677	(1 065 268)	(411 208)	(224 704)	(255 220)	(174 136)

LTL	Book value	Non-discounted cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years
31 December 2008						
Borrowings	1 683 128	(1 843 870)	(240 978)	(550 678)	(625 463)	(426 751)
Trade and other payable	766 766	(766 766)	(766 766)	-	-	-
	2 449 894	(2 610 636)	(1 007 744)	(550 678)	(625 463)	(426 751)

The average interest rate used for calculations is 2,8 % (2008 – 2,97%).

(d) 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 2009 would change by approx. USD 5 540 thousand or LTL 13 325 thousand (2008 : USD 6 138 thousand or LTL 14 466 thousand respectively). Fair values of borrowings with fixed interest rate are indicated in Note 17.

(e) Capital management

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

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

25.2 Fair value estimation

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 statement of financial position. 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 statement of financial position. 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. Carrying amounts of financial liabilities are close to their fair values.

26. Capital commitments

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

	2009		2008	
	USD	LTL	USD	LTL
Property, plant and equipment	9 729	23 399	39 828	97 607

27. Contingencies

Claim from UAB Klevo Lapas

In 2003, basing on the decision of the Competition Council, stating that the Company did not comply with the Competition Law and which allows the customers affected by the Company's pricing policy to claim damages from the Company, legal proceedings initiated by UAB Klevo Lapas against the parent company in 2000 were renewed. As at 31 December 2009 the claim of UAB Klevo Lapas amounted to LTL 36 606 thousand or USD 15 220 thousand (2008 : LTL 7 747 thousand or USD 3 161 thousand). As at 31 December 2009 the Parent company had a receivable from UAB Klevo Lapas amounting to LTL 5 298 thousand or USD 2 203 thousand (2008 : LTL 5 507 thousand or USD 2 247 thousand), which was provided in full. The First Instance Court reflected the claim of UAB Klevo Lapas as not grounded. The plaintiff presented a complaint the investigation, which was rejected as well. The cassation complaint was not submitted in 2009, however the term for presentation matures only 2010. The management does not expect that the final amount of this claim will exceed the amount receivable from UAB Klevo Lapas, therefore, no provision for the claim was made in the consolidated financial statements for the year ended 31 December 2009 and 31 December 2008.

Payment request from a group of inventors

The parent company had received a payment request from a group of individuals in the amount of LTL 14 000 thousand (equivalent to USD 5 713 thousand as at 31 December 2008), 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 did actually improve the output of production process and, therefore, rejected the payment request. In 2003, one of the inventors initiated legal proceedings against the Company and claimed an amount totalling LTL 400 thousand (equivalent to USD 163 thousand as at 31 December 2008). The First Instance Court rejected the claim as ungrounded in February 2006, however the Appeal Court partly allowed an appeal and adjudged in favour of the plaintiff an amount of LTL 344 602 of honorarium and LTL 25 236 of court expenses. The Company appealed the decision and the complaint will be investigated in 2010. The management of the Parent company is of the opinion that the mentioned claims are not grounded and, based on this, have not made any provisions for contingencies in these consolidated financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

27. Contingencies (continued)

Other litigations and claims

The Parent company is involved in other litigations 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 thousand (USD 4 740 thousand as at 31 December 2008). Guarantees are valid until 4 December 2010 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 2009, the Parent company made a provision for the environmental liabilities amounting to USD 6 895 thousand or LTL 16 584 thousand (2008 : USD 7 347 thousand or LTL 18 005 thousand (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 emposed are insignificant, however the Parent company will dispute the decision of 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 Government of Lithuania (hereinafter – the Government) was the shareholder until 30 April 2009 and exercised material influence on the Group. For disclosure purposes, the Government represents central governing institutions and does not include local authorities.

The following transactions were carried out with related parties:

(a) Sales of goods and services	2009		2008	
	USD	**LTL**	**USD**	**LTL**
-UAB Naftelf	4 566	11 337	9 158	21 584
-PKN Orlen S.A.	313 714	790 227	120 619	305 867
-PKN ORLEN Group*	58 928	146 306	154 556	364 268
	377 208	947 870	284 333	691 719

(b) Purchases of goods and services	2009		2008	
	USD	**LTL**	**USD**	**LTL**
-PKN Orlen S.A.(purchase of raw materials)	3 779 315	9 383 309	6 142 460	14 477 032
-PKN Orlen S.A. (purchase of services)	4 799	11 914	11 894	28 032
-PKN ORLEN Group *	1 989	4 937	19 906	46 913
	3 786 103	9 400 160	6 174 260	14 551 977

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

28. Transactions with related parties (continued)

(c) Local tax expenses – the Government (related until 30-04-2009)

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Local income tax	4 974	12 349	(28 716)	(67 680)
Local taxes other than corporate income tax	4 844	12 027	9 306	21 933
Social insurance	10 317	25 615	24 841	58 547
	20 135	49 991	5 431	12 800

(d) Tax expenses – the Polish Government

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Income tax	8	20	152	358
Taxes other than corporate income tax	7	17	-	-
Social insurance	12	30	56	132
	27	67	208	490

(e) Key management remuneration

	2009		2008	
	USD	**LTL**	**USD**	**LTL**
Salaries and other short-term payments to managers	1 265	3 141	1 056	2 489

In 2009 and 2008 key managers are 7 members of the Parent company's management.

(f) Balances as of the end of the year arising from sales/ purchases of goods/services

Receivables from related parties:	2009		2008	
	USD	**LTL**	**USD**	**LTL**
-PKN ORLEN S.A. (note 12)	10 002	24 059	12 357	30 283
-PKN ORLEN Group* (note 12)	12 531	30 139	19 225	47 114
-PKN ORLEN Group* non-current receivable (note 10)	-	-	967	2 370
-UAB Naftelf (note 12)	68	161	7	17
	22 601	54 359	32 556	79 784

Amounts due to related parties (note 20):

	2009		2008	
Amounts paid to related parties:	**USD**	**LTL**	**USD**	**LTL**
-PKN ORLEN S.A.	305 988	735 955	164 760	403 774
-PKN ORLEN Group *	4 940	11 882	7 140	17 498
- Government	-	-	10	24
	310 928	747 837	171 910	421 296

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

28. Transactions with related parties (continued)

(g) Balances as of the end of the year arising from paid/payable taxes – Government (related until 30-04-2009)

Prepaid domestic taxes:	2009		2008	
	USD	LTL	USD	LTL
Prepaid domestic current income tax	-	-	9 099	22 298
Prepaid domestic taxes, other than income tax	-	-	851	2 086
	-	-	9 950	24 384

Taxes payable:	2009		2008	
	USD	LTL	USD	LTL
Income tax payable	-	-	9	22
Payable taxes other than corporate income tax	-	-	36 238	88 808
Payable social security contributions	-	-	2 250	5 514
	-	-	38 497	94 344

Deferred income tax:	2009		2008	
	USD	LTL	USD	LTL
Deferred income tax assets	-	-	92 793	227 406

(h) Year-end balances arising from taxes paid/payable – the Polish Government.

	2009		2008	
	USD	LTL	USD	LTL
Prepaid income tax	-	-	73	179
Prepaid taxes, other than corporate income tax	5	12	29	71
	5	12	102	250
Payable taxes other than corporate income tax	1	2	9	22
Payable social insurance contributions	2	5	3	7
	3	7	12	29

(i) Loans from related parties – the Government (note 17) (related until 30-04-2009)

	2009		2008	
	USD	LTL	USD	LTL
Beginning of year	289 860	710 354	290 238	684 149
Interest charged	6 754	16 769	20 620	48 598
Interest paid	(6 762)	(16 789)	(20 624)	(48 608)
Loan repayments made	(160)	(397)	(303)	(714)
Exchange differences	(61)	(13 317)	(71)	26 929
At 30 April 2009	289 631	696 620	289 860	710 354

28. Transactions with related parties (continued)

The loan balance in the note after 30 April 2009 was transferred in the item of loans from other institutions.

Loans from related parties as at 31 December 2008 consist of loans granted by the Government to the Parent company amounting to USD 288 927 thousand or LTL 708 068 thousand and loans of USD 923 thousand or LTL 2 262 thousand, plus accrued interest amounting to USD 10 thousand or LTL 24 thousand.

The following companies are related to PKN ORLEN Group companies:

*Orlen Gaz Sp.z.o.o., Orlen PetroCentrum Sp.z.o.o., ORLEN Morena Sp.z.o.o., Orlen Insurance Ltd, Orlen Prewencja Sp.z.o.o, Orlen Project S.A., Orlen Petro Zachod Sp.z.o.o., Orlen Transport Plock Sp.z.o.o., Orlen Automatika Sp.z.o.o., Orlen Laboratorium Sp.z.o.o., RemWil Sp.z.o.o., Orlen Petro Profit Sp.z.o.o., Orlen Petro Trank Sp.z.o.o., Orlen Ksiegowosc Spolka z.o.o., Orlen Asfalt Sp.z.o.o, Orlen Ochrana Sp. z.o.o., Orlen Wir Sp. z.o.o.

29. Subsequent events

Current loans, received by 28 February 2010, amounted to USD 72 280 thousand or LTL 217 446 thousand. The repaid long-term loan amounts were USD 18 894 thousand or LTL 48 370 thousand. No new loan agreements have been signed.