KLAIPĖDOS NAFTA
AKCINĖ BENDROVĖ

INTERIM FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR 2010
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED TO BE USED IN THE EUROPEAN UNION
(UNAUDITED)

Content

Page

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CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Rokas Masiulis, General Manager of SC Klaipėdos Nafta, and Mantas Bartuska, Finance Director of SC Klaipėdos Nafta, hereby confirm that to the best of our knowledge the attached Interim Unaudited Financial Statements of SC Klaipėdos Nafta for the period ended 31 December 2010, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit (loss) of SC Klaipėdos Nafta.

General Manager	Rokas Masiulis
Finance Director	Mantas Bartuska

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Statement of financial position

	Notes	31 December 2010	31 December 2009
ASSETS		(unaudited)	(restated)
Non-current assets			
Intangible assets	4	395	103
Tangible assets	4	387.590	410.113
Financial assets	5	8.246	75
Total non-current assets		**396.231**	**410.291**
Current assets			
Inventories and prepayments			
Inventories	6	4.098	3.397
Prepayments		192	495
Total inventories and prepayments		4.290	3.892
Accounts receivable			
Trade receivables	7	5.677	4.955
Other receivables	8	821	2.168
Total accounts receivable		6.498	7.123
Other current assets	9	38.433	4.744
Cash and cash equivalents	10	29.501	41.188
Total current assets		**78.722**	**56.947**
Total assets		**474.953**	**467.238**

(cont'd on the next page)

The accompanying notes, set out on pages 10 – 22, are an integral part of these financial statements

Statement of financial position (cont'd)

	Notes	31 December 2010	31 December 2009
EQUITY AND LIABILITIES		(unaudited)	(restated)
Equity			
Share capital	1	342.000	342.000
Legal reserve	11	19.000	15.670
Other reserves	11	68.043	50.170
Retained earnings	3	27.681	38.679
Total equity		**456.724**	**446.519**
Non-current liabilities			
Deferred tax liabilities	12	9.207	10.783
Non-current employee benefits		822	-
Total non-current liabilities		**10.029**	**10.783**
Current liabilities			
Trade payables	13	4.569	6.140
Payroll related liabilities		1.358	1.218
Income tax payable		546	1.602
Prepayments received		84	59
Dividends payable		48	103
Other payable and current liabilities	14	1.595	814
Total current liabilities		**8.200**	**9.936**
Total equity and liabilities		**474.953**	**467.238**

The accompanying notes, set out on pages 10 – 22, are an integral part of these financial statements

General Manager	Rokas Masiulis	RMasiul	23 February 2011
Finance Director	Mantas Bartuška		23 February 2011

Statement of comprehensive income

	Notes	2010 January - December	2010 4 Quarter, October - December	2009 January - December	2009 4 Quarter, October - December
		(unaudited)	(unaudited)	(restated)	(restated)
Sales	15	124.571	34.697	116.211	32.511
Cost of sales	16	(77.609)	(23.589)	(69.934)	(19.138)
Gross profit		**46.962**	**11.108**	**46.277**	**13.373**
Operating expenses	17	(17.081)	(10.612)	(5.502)	(2.764)
Other operating income (expenses) – net result		39	7	20	10
Profit from operating activities		**29.920**	**503**	**40.795**	**10.619**
Income from financial activities	18	1.562	98	1.783	683
Expenses from financial activities	18	(34)	(25)	(87)	(3)
Profit (loss) before income tax		**31.448**	**576**	**42.491**	**11.299**
Income tax expense	19	(4.843)	(591)	(5.005)	1.417
Net profit (loss)		**26.605**	**(15)**	**37.486**	**12.716**
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses)/profit (loss) of the period attributed to the Shareholders	20	**26.605**	**(15)**	**37.486**	**12.716**
Basic and diluted earnings per share, in LTL	20	0,08	x	0,11	x

The accompanying notes, set out on pages 10– 22, are an integral part of these financial statements

General Manager	Rokas Masiulis	RMaiul	23 February 2011
Finance Director	Mantas Bartuška		23 February 2011

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2008		342.000	14.240	36.534	28.600	421.374
Change in accounting policy	3				1.193	1.193
Balance as of 31 December 2008 (after change in accounting policy)		342.000	14.240	36.534	29.793	422.567
Net profit for the year (restated)		-	-	-	37.486	37.486
Transfer to legal reserve		-	1.430	-	(1.430)	-
Dividends declared	20	-	-	-	(13.534)	(13.534)
Transfers between reserves		-	-	13.636	(13.636)	-
Balance as of 31 December 2009		342.000	15.670	50.170	38.679	446.519
Net profit for the year		-	-	-	26.605	26.605
Transfer to legal rezerve		-	3.330	-	(3.330)	-
Dividends declared	21	-	-	-	(16.400)	(16.400)
Transfers between reserves		-	-	17.873	(17.873)	-
Balance as of 31 December 2010		342.000	19.000	68.043	27.681	456.724

The accompanying notes, set out on pages 10 – 22, are an integral part of these financial statements

General Manager	Rokas Masiulis		23 February 2011
Finance Director	Mantas Bartuška		23 February 2011

Cash flow statement

	2010	2009
	(unaudited)	(restated)
Cash flows from operating activities		
Net profit	26.605	37.486
Adjustments for non cash items:		
Depreciation and amortisation	22.616	20.248
Accrued emission rights	1.205	-
Impairment and write-off of property, plant and equipment	8.588	61
Accrued income	634	138
Change in allowance for doubtful trade receivables	570	(393)
Change in employee benefit liabilities	822	-
Change in allowance for inventories	368	(121)
Change in vacation reserve	111	-
Other non-cash adjustments of expense (income)	(52)	-
Income tax expenses	4.843	5.005
Interest income	(1.498)	(1.687)
	64.812	**60.737**
Changes in working capital:		
(Increase) decrease in inventories	(1.542)	265
Decrease (increase) in prepayments	303	37
Decrease (increase) in trade and other accounts receivable	(582)	(708)
Decrease (increase) in other current assets	3	348
Increase (decrease) in trade and other payables	(1.571)	(1.477)
Decrease (increase) in prepayments received	25	-
Increase (decrease) in other current liabilities and payroll related liabilities	23	1.962
Income tax paid	(7.423)	(3.577)
Net cash flows from operating activities	**54.048**	**57.587**
Cash flows from investing activities		
Acquisition of non-current assets	(8.973)	(12.679)
Investments into securities	(24.685)	-
Investments into term deposits	(17.128)	15.103
Acquisition of other investments	(47)	-
Interest received	1.498	1.766
Net cash flows from investing activities	**(49.335)**	**4.190**

The accompanying notes, set out on pages 10 – 22, are an integral part of these financial statements

Cash flow statement (cont'd)

	2010 (unaudited)	2009 (restated)
Cash flows from financing activities		
Dividends (payment)	(16.400)	(13.499)
Loans (repayment)	-	(15.605)
Interest (paid)	-	(79)
Net cash flows from financing activities	**(16.400)**	**(29.183)**
Net increase (decrease) in cash flows	**(11.687)**	**32.594**
Cash and cash equivalents at the beginning of the period	**41.188**	**8.594**
Cash and cash equivalents at the end of the period	**29.501**	**41.188**

The accompanying notes, set out on pages 10 – 22, are an integral part of these financial statements

General Manager	Rokas Masiulis	RMaśul	23 February 2011
Finance Director	Mantas Bartuška		23 February 2011

Notes to the Financial Statements

1 General information

SC Klaipėdos Nafta (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania.

The Company was established by SC Naftos Terminalas (Lithuania) and Lancater Steel Inc. (USA) acquiring 51 and 49 percent of shares respectively. The Company was registered on 27 September 1994.

As of 31 December 2010 all the shares were owned by 1.569 shareholders. The Company‘s share capital – LTL 342.000.000 (three hundred forty two million) is fully paid. It is divided into 342.000.000 (three hundred forty two million) ordinary shares with a par value of LTL 1. 70,63 % of the shares (241.544.426 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.
The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the year 2010. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.
As of 31 December 2010 and 31 December 2009 the shareholders of the Company were:

	31 December 2010		31 December 2009	
	Number of shares held (thousand)	**Part of ownership (%)**	**Number of shares held (thousand)**	**Part of ownership (%)**
Government of the Republic of Lithuania, represented by the Ministry of Energy	241.544	70.63	241.544	70.63
Achema AB	-	-	31.265	9.14
UAB Concern Achema Group	32.766	9.58	-	-
Skandinavska Enskilda Banken funds	14.254	4.17	10.539	3.08
Swedbank funds	10.817	3.16	8.720	2.55
Other (less than 5 per cent each)	42.619	12.46	49.932	14.60
Total	342.000	100.00	342.000	100.00

The average number of employees in the year 2010 was 306 (2009 m. – 301).

2 Accounting principles

These financial statements have been prepared on a historical basis. All the amounts are presented in Litas (LTL) and are rounded to the nearest thousand (LTL 000), except when otherwise indicated.

2.1. Basis for preparation of the Financial Statements

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted to be used in the European Union (hereinafter referred to as the EU).

2.2. Foreign currency

Functional currency

The amounts shown in these Financial Statements are measured and presented in the national currency, Litas (LTL) of the Republic of Lithuania which is the functional currency of the Company.

Since 2 February 2002, the Litas is pegged to the Euro at the rate of LTL 3.4528 = EUR 1.

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 such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income under finance income or costs.

2.3. Segment reporting

The Company operates in one business and geographical segment.

2.4. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

Assets are attributed to property, plant and equipment if their useful life exceeds one year. Property, plant and equipment of the Company are stated at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and structures, specifically:	7 - 70
Fire-fighting station	40
Storage tanks 5.000 m^3	15 - 35
Storage tanks 10.000 m^3 and 20.000 m^3	35
Waste Water Treatment building	20
Reinforced concrete bridges	70
Railway trestle	35
Machinery and equipment, specifically:	3 - 35
Vapour combustion units; heat-exchangers	10 - 35
Marine loading arms	7
Other property plant and equipment, specifically	3 - 35
Technological pipelines	15 - 35
Control cables	6 - 8

The useful lives, residual values and depreciation method are reviewed periodically to ensure that the period of depreciation and other estimates are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and available for their intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the statement of comprehensive income. Gains and losses on disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the assets disposed.

2.5. Investments and other financial assets

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through Statement of comprehensive income, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through Statement of comprehensive income, directly attributable transaction costs.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by the Management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Related profit or loss on revaluation is charged directly to the statement of comprehensive income. Interest income and expense and dividends on such investments are recognised as interest income and dividend income or interest expenses, respectively.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

Fair value

market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

2.6. Employee benefits

Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

Accounting principles (continued)

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. On the normal retirement every employee of the Company has the right to get termination benefit in the amount of 2 – 6 salaries according to the laws of the Republic of Lithuania. The payroll related liabilities of the Company are recognized in the Statement of financial position and reflect present value of such benefits on the date of the Statement of financial position.

2.7. Inventories

Inventories are stated at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow-moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories comprises purchase price, transport, and other costs directly attributable to the cost of inventories. Cost is determined by the first-in, first-out (FIFO) method. Unrealisable inventory has been fully written-off.

2.8. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

2.9. Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The effective income tax rate applicable for the companies of the Republic of Lithuania in 2010 was 15 % (2009 : 15 %).

Tax losses can be carried forward for unlimited time, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the statement of financial position liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset has been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.10. Dividends

Dividends are recorded in the financial statements at the moment they are declared by the Annual General Shareholders' Meeting.

2.11. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shareholders changes without causing a change in the economical resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented. Since there are no instruments reducing earnings per share, there is no difference between the basic and diluted earnings per share.

2.12 Revenue recognition

Revenues are recognized if it is expected that the Company will get economic benefit associated with a transaction and when the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts. Revenue for stevedoring and related services is recognised when the cargo is loaded to ships / unloaded from ships.

Interest, rental and other revenue is recognised on an accrual basis. Other revenue is recognised upon delivery and transfer or risks and rewards of products or rendering of services and customer acceptance, if any.

2.13 Expenses recognition

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

2.14 Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each statement of financial position date.

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the statement of comprehensive income as the impairment loss.

3 Change in acccounting policy

As of 31 December 2010 the Company changed accounting policy for income recognition by measuring the accrued income according to the unfinished long-term oil transshipment agreements assessing the level of the expenditures suffered.

Statement of financial position

	As of 31 December 2009	Change of accounting policy	As of 31 December 2009 (restated)
ASSETS			
Other accounts receivable	902	1.266	2.168
Other captions of assets	465.070	-	465.070
Total assets	**465.972**	**1.266**	**467.238**
EQUITY AND LIABILITIES			
Retained earnings	37.603	1.076	38.879
Income tax liabilities	1.412	190	1.602
Other captions of liabilities and equity	426.957	-	426.957
Total equity and liabilities	**465.972**	**1.266**	**467.238**

Statement of comprehensive income

	As of 31 December 2009	Change of accounting policy	As of 31 December 2009 (restated)
Sales	116.349	(138)	116.211
Other captions of the statement of comprehensive income	(73.720)	-	(73.720)
Income tax	(5.026)	21	(5.005)
Net profit	**37.603**	**(117)**	**37.486**

4 Non-current tangible and intangible assets

The depreciation charge of the Company's non-current tangible and intangible assets for the year 2010 amounts to LTL 22.616 thousand (LTL 20.248 thousand – during 2009). LTL 22.481 thousand of depreciation charge have been included into cost of sales (LTL 20.131 thousand – during 2009) in the Company's statement of comprehensive income, the remaining amount has been included into operating expenses.

On 18 February 2010 the Company put into operation the updated system for loading light oil products into road tankers (the total value of the object - LTL 10.940 thousand) and completed updating of fuel oil unloading system of rail gantry track No.1 (total value of the object - LTL 3.813 thousand). On 15 July 2010 the Company finished reconstructing of storage tank T-34-7101 and process lines of Waste Water Treatment Facilities, the value of the object – LTL 3.427 thousand). In 2010 the Company made investments into the following objects: LTL 4.743 thousand - into updating of fuel oil unloading system of rail gantry track 2; LTL 1.929 thousand – into updating of automatic part of fire-fighting system; LTL 818 thousand – into updating of LFO storage tanks; LTL 335 thousand – into updating of storage tank T-34-7101 and process lines of Waste Water Treatment Facilities; LTL 216 thousand – into updating of metering system. All these projects are planned to be completed in 2011.

The Government of the Republic of Lithuania by its decision No. 1097 "Regarding development of LNG terminal", dated 21 July, 2010, enabled the Company to commence development of the project of LNG terminal. On the approval of the General Shareholders' Meeting of the Company the Board of the Company on 23 July 2010 decided to perform preparatory works and realize investment project regarding LNG Terminal's construction. The General Shareholders' Meeting of the Company on 26 August 2010 approved the Board's decision to commence preparation of LNG project.
According to the report and its conclusions, dated 2 November 2010, of the Joint Committee, formed by the order of the Minister of Energy regarding construction of LNG terminal in Lithuania, the following objectives and essential implementation conditions were determined for the project:

- develop an alternative supply source of natural gas, eliminating Lithuania's dependence on the only outer supplier of gas; establish preconditions for Lithuania of independent provision of natural gas necessary to satisfy demand of the first necessity; establish preconditions for development of national and regional gas markets with a possibility of supplying the neighbouring countries with natural gas in future; to develop a possibility for Lithuania to enter the international gas markets;

- commence operation of the LNG terminal as soon as possible but in no event later than 2014;
- taking into account the requirements of quality, safety, skilled development applied to such projects, the Project shall be implemented with minimum possible costs of development, construction and operation, using minimum amount of the funds of the Company and its shareholders as well as borrowed means.
- If appropriate, develop possibilities for expansion of the capacities of the LNG terminal without inadequately high additional costs so as the Terminal for commercial purposes could perform functions of the regional terminal.

On 29 December 2010 the Company announced International Public Tender for procurement of services of the lead advisor for the preparation and implementation of the project of a liquefied natural gas terminal” competition.
LTL 364 thousand were invested into LNG project as on 31 December 2010 – the major part of the expenses are comprised of consulting services.

5 Non-current tangible financial assets

On 19 December 2007 the Company acquired one (1) per cent shareholding in the international pipeline company SARMATIA and purchased 180 shares at a nominal value of PLZ 500 each. During the year 2010 the Company additionally purchased 100 shares with the par value of PLZ 500 each of the increased capital. The investment was accounted for at the acquisition cost, the equivalent of which in Litas amounted to LTL 122 thousand as of 31 December 2010 (LTL 75 thousand as of 31 December 2009).

On 23 July 2010 the Board of the Company approved the new investments policy of free funds of the Company which aimes to perform investment transactions with reliable (long-term borrowing ratings – A) banking instruments not only in Lithuania but also abroad. The investment policy gives priority to investments in Lithuania and only if there is no other alternative - in foreign countries. Investment possibility into the securities of the Lithuanian Government has also been provided for. Following its investment policy the Company has acquired the securities of the Lithuanian Government for the amount of LTL 4.420 thousand and the securities of foreign countries – for LTL 3.704 thousand, the payoff maturity term of which is longer than one financial year, therefore the securities were attributed to the non-current financial assets.

6 Inventories

	As of 31 December 2010	As of 31 December 2009
Spare parts, construction materials and other inventories	2.398	2.641
Oil products	3.782	2.470
	6.180	5.111
Less: allowance for inventories	(2.082)	(1.714)
	4.098	**3.397**

Allowance has been accounted for construction materials and spare parts, which were not used during the reconstruction (1996 – 2005).

Oil products are energy products collected in the Waste Water Treatment Facilities. During the year 2010 the oil products increased because the Company did not sell any collected heavy oil products during the years 2007 – 2010. On 31 December 2010 the Company stored 79,1 thousand tons of oil products delivered for transshipment in its storage tanks (143,1 thousand tons as of 31 December 2009). Such oil products are not recognised in the Company’s financial statements, they are accounted for in the off-balance sheet accounts.

Change in the allowance of inventories as of 31 December 2010 and 2009 is included under operating costs in the Statement of comprehensive income.

7 Trade receivables

	As of 31 December 2010	As of 31 December 2009
		(restated)
Receivables for reloading of oil products and other related services	6.250	4.955
Less: allowance for doubtful trade receivables	(573)	-
	5.677	**4.955**

Changes in allowance for doubtful trade receivables for the year 2010 have been included into operating expenses in the statement of comprehensive income.
Allowance of LTL 573 thousand for trade receivables was recorded as of 31 December 2010 (none as at 31 December 2009).

Trade and other receivables are non-interest bearing and are generally on 6 - 15 days terms.

8 Other receivables

	As of 31 December 2010	As of 31 December 2009
		(restated)
Accrued income	633	1.266
VAT receivable	76	737
Other taxes receivable	54	105
Other receivables	71	73
	834	2.181
Less: allowance for receivables	(13)	(13)
	821	**2.168**

Change in allowance for receivables for the years 2010 and 2009 has been included into operating expenses in the statement of comprehensive income.

9 Other current assets

	As of 31 December 2010	As of 31 December 2009
		(restated)
Requisition rights received	465	468
Short-term deposits	21.872	4.744
Investments into the securities of the Republic of Lithuania	12.971	-
Investments into the securities of foreign countries	3.590	-
	38.898	5.212
Less: allowance for other current assets	(465)	(468)
	38.433	**4.744**

Changes in allowance for other current assets for the year 2010 and 2009 have been included into operating expenses in the statement of comprehensive income.

As of 31 December 2010 the Company had term deposits of LTL 21.872 thousand with the maturity of 182 – 365 days, and an annual interest rate of 1,65 – 2,28 %. As of 31 December 2009 the Company had two term deposits at the value of LTL 4.744 thousand with the maturity of 120 – 122 days and an annual interest rate of 6,6 – 6,9%.
The Company, following its investment policies, in December 2010 acquired securities with the maturity longer than 3 months: securities of the Republic of Lithuania for LTL 12.971 thousand; securities of foreign countries for LTL 3.590 thousand.

10 Cash and cash equivalents

	As of 31 December 2010	As of 31 December 2009
Cash at bank	4.067	8.142
Deposits	14.453	32.922
Investments into securities	10.981	-
Cash in hand	-	124
	29.501	**41.188**

As of 31 December 2010 the Company had four term deposits of LTL 14.453 thousand with the maturity of 89 – 90 days, and an annual interest rate of 1,15 – 1,45 %. As of 31 December 2009 the Company had thirteen term deposits at the total value of LTL 32.922 thousand with the maturity up to 94 days, therefore they were accounted for in the item of cash and cash equivalents. Other term deposits with the maturity longer than 3 months were accounted for in the item of other current assets (note 9).
In December 2010 following its investment policies the Company acquired securities of the Lithuanian banks and of the Republic of Lithuania for LTL 10.981 thousand with the maturity less than 3 months.

11 Reserves

<u>Legal reserve</u>
A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 percent of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10 per cent of the share capital. The General Shareholders‘ Meeting, held on 27 April 2010, approved profit distribution plan for the year 2009 and allocated LTL 3.330 thousand to the legal reserve.

<u>Other reserves</u>

Other (distributable) reserves are formed based on the decision of the General Shareholders' Meeting on profit distribution. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. The largest portion of the Company's other reserves are formed for investments, charity and employee bonuses.

12 Deferred income tax

	As of 31 December 2010	As of 31 December 2009
Deferred tax asset		
Depreciation differences of non-current tangible assets	1.001	1.072
Impairment of non-current tangible assets	1.089	198
Impairment of inventories	312	257
Accrued vacation reserve	196	180
Accrued emission rights	181	-
Disbursements to employees	123	-
Other temporary differences	3	-
Deferred tax asset, net	2.905	1.707
Deferred tax liability		
Non-current tangible assets (investment exemption)	(11.546)	(12.490)
Oil products	(566)	-
Deferred income tax liability	(12.112)	(12.490)
Deferred income tax, net	**(9.207)**	**(10.783)**

13 Trade and other payables

	As of 31 December 2010	As of 31 December 2009
Payable for railway services	1.425	539
Payable to suppliers, contractors	2.556	4.237
Other trade payables	588	1.364
	4.569	**6.140**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

14 Other current liabilities

	As of 31 December 2010	As of 31 December 2009
Emission rights liability	732	-
Tax on real estate payable	649	638
Accrued expenses	181	162
Other	33	14
	1.595	**814**

Other payables are non-interest bearing and have an average term of one month.

15 Sales

	2010	2009 (restated)
Sales of oil loading services	121.148	110.118
Revenues for storage of oil products	-	3.200
Other sales related to loading	4.057	3.031
Accrued income	(634)	(138)
	125.571	**116.211**

Other sales related to oil loading include mooring, sales of fresh water, transportation of crew and other revenues related to loading.

16 Cost of sales

	2010	2009 (restated)
Depreciation and amortisation	22.481	20.131
Wages, salaries and social security	16.538	16.043
Heating and steam	15.502	13.116
Railway services	7.495	5.172
Electricity	5.143	3.749
Tax on real estate	2.564	2.608
Rent of land and quays	2.350	2.350
Repair and maintenance of non-current assets	1.341	3.731
Emission rights expenses	1.205	-
Insurance of assets	779	1.006
Other	2.211	2.028
	77.609	**69.934**

17 Operating expenses

	2010	2009 (restated)
Salaries, bonuses and social security	4.198	3.149
Impairment of assets, provisions	10.459	(401)
Consulting and legal costs	728	392
Charity	319	262
Depreciation and amortisation	136	117
Advertising services	130	209
Other	1.111	1.774
	17.081	**5.502**

In 2010 the Company revised the available non-current assets and recorded impairment for the amount of LTL 8.587 thousand of the assets, that is not used due to the changed technological conditions. The remuneration expenses in 2010 increased due to the bonuses of LTL 1.200 thousand allocated by the decision of the General Shareholders' Meeting for the financial results in 2009 as well as additional compensations paid to the Management due to the Management changes.

18 Income (expenses) from financial activities, net

	2010	2009
Interest income	1.498	1.766
Fines received	64	17
Financial income, total	**1.562**	**1.783**
Interest (expenses)	-	(79)
Losses from currency exchange	(12)	(6)
Other financial expenses	(22)	(2)
Financial expenses, total	**(34)**	**(87)**
	1.528	**1.696**

19 Income tax

Income of the year 2009 was taxed by income tax rate of 20 % according to the tax laws of the Republic of Lithuania. As of 1 January 2010 income tax rate is 15 %.

	2010	2009
Components of the income tax expense (income)		
Income tax of the year	6.715	9.142
Income tax adjustment of the previous years	(296)	(91)
Current year income tax expense	6.419	9.051
Deferred tax expense (income)	(1.576)	(4.046)
Income tax expense charged to the statement of comprehensive income	**4.843**	**5.005**

20 Earnings per share, basic and diluted

Basic earnings per share amounts are calculated by dividing net profit of the Company by the number of the shares available. Diluted earnings per share equal to basic earnings per share as the Company has no shares issued. Basic and diluted earnings per share are as follows:

	2010	2009
Net profit attributable to shareholders	26.605	37.486
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,08	0,11

21 Dividends

	2010	2009
Dividends declared	16.400	13.532
Weighted average number of ordinary shares (thousand)	342.000	342.000
Dividends declared per share (expressed in LTL per share)	0,048	0,040

On 27 April 2010 the Company's shareholders announced dividends amounting to LTL 16.400 thousand for 2009 (LTL 13.532 thousand for 2008 on 23 April 2009).
The remaining amount of declared dividends to the shareholders, who were not found according to the stated addresses, is accounted for under "Dividends payable" caption in the Statement of financial position "Current amounts payable and liabilities". As of 31 December 2010 the outstanding amount of dividends not paid during the previous financial year amounted to LTL 48 thousand (as of 31 December 2009: LTL 103 thousand).

22 Related party transactions

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions.

Transaction with State institutions

Taxes payable	**As of 31 December 2010**	**As of 31 December 2009**
		(restated)
Tax on real estate	648	638
Income tax	546	1.602
Other operating taxes	33	14
Contributions to warranty reserve	-	2
	1.227	**2.256**

Remuneration to the Management and other payments

During twelve months of 2010 the remuneration expenses of the Company's Management, comprised of General Manager, Deputy General Manager, Production Director, Technical Director, Finance Director, Director of Commerce and LNG Terminal Director amounted to LTL 1.928 thousand (LTL 1.143 thousand during twelve months of 2009). The remuneration expenses increased due to the change in the Management and structural changes in May 2010 associated with the commencement of the LNG Terminal project development.
During twelve months of 2010 and 2009 the Management of the Company did not receive any loans, guarantees, no any other payments or property transfers were made or accrued.

23 Subsequent events

No other significant events have occurred after the date of financial statements.