AB KLAIPĖDOS NAFTA

FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR 2009
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Content

Management's statement of the annual financial statements

The Management has today discussed and authorized for issue the annual financial statements and signed them on behalf of the Company.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

We recommend the financial statements to be approved at the General Shareholders meeting.

Klaipėda, 8 March 2010

Jurgis Aušra
General Director

Johana Bučienė
Chief Financier

„KPMG Baltics", UAB
Naujoji Uosto st. 11
LT-92121 Klaipėda
Lithuania

Phone: +370 46 48 00 12
Fax: +370 46 48 00 13
E-mail: klaipeda@kpmg.lt
Website: www.kpmg.lt

Independent Auditor's report to the shareholders of AB Klaipėdos Nafta

We have audited the accompanying financial statements of AB Klaipėdos Nafta ("the Company"), which comprise the statement of financial position as at 31 December 2009, and the related statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Company code: 111616158
VAT code: LT114949716

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, and of its financial performance and its 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 Annual Report for the year ended 31 December 2009 set out on pages 37-50 of the Financial Statements and have not identified any material inconsistencies between the financial information included in the Annual Report and the financial statements for the year ended 31 December 2009.

Klaipėda, 8 March 2010
KPMG Baltics, UAB

Rokas Kasperavičius
Partner

Mindaugas Bartkus
Certified Auditor

Statement of financial position

	Notes	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Intangible assets		103	64
Property, plant and equipment	3	410.113	413.673
Non-current financial assets	4	75	75
Total non-current assets		**410.291**	**413.812**
Current assets			
Inventories and prepayments			
Inventories	5	3.397	3.541
Prepayments		8	45
Total inventories and prepayments		3.405	3.586
Prepaid current tax		-	2.910
Trade and other receivables	6	4.955	5.026
Other current assets	7	6.133	21.584
Cash and cash equivalents	8	41.188	8.594
Total current assets		**55.681**	**41.700**
Total assets		**465.972**	**455.512**

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The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.
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Statement of financial position (continued)

	Notes	31 December 2009	31 December 2008
EQUITY AND LIABILITIES			
Equity			
Share capital	1	342.000	342.000
Legal reserve	9	15.670	14.240
Other reserves	9	50.170	36.534
Retained earnings		37.603	28.600
Total equity		**445.443**	**421.374**
Non-current liabilities			
Non-current loans	10	-	-
Deferred tax liabilities	17	10.783	14.828
Total non-current liabilities		**10.783**	**14.828**
Current liabilities			
Current portion of non-current loans	10	-	15.605
Dividends payable	19	103	68
Trade and other payables	11	6.140	2.096
Payroll related liabilities		1.218	1.325
Current tax liabilities		1.412	-
Other current liabilities	12	873	216
Total current liabilities		**9.746**	**19.310**
Total equity and liabilities		**465.972**	**455.512**

The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.

General Director   Jurgis Aušra   8 March 2010

Statement of comprehensive income

	Notes	2009	2008
Sales	13	116.349	119.612
Cost of sales	14	(63.971)	(67.021)
Gross profit		**52.378**	**52.591**
Operating expenses	15	(11.465)	(19.089)
Profit from operations		**40.913**	**33.502**
Other operating income (expenses), net		20	48
Profit from operating activities		**40.933**	**33.550**
Income from financial and investment activities	16	1.783	775
Expenses from financial and investment activities	16	(87)	(1.285)
Profit before income tax		**42.629**	**33.040**
Income tax expense	17	(5.026)	(4.442)
Net profit		**37.603**	**28.598**
Basic and diluted earnings per share, in LTL	18	0.11	0.08

The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.

General Director Jurgis Aušra 8 March 2010

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2007		**342.000**	**13.790**	**35.221**	**8.739**	**399.750**
Net profit for the year					28.598	28.598
Dividends declared	19				(6.974)	(6.974)
Transfer from reserves				(8.698)	8.698	-
Transfer to reserves	9		450	10.011	(10.461)	-
Balance as of 31 December 2008		**342.000**	**14.240**	**36.534**	**28.600**	**421.374**
Net profit for the year					37.603	37.603
Dividends declared	19				(13.534)	(13.534)
Transfer from reserves				(5.230)	5.230	-
Transfer to reserves	9		1.430	18.866	(20.296)	-
Balance as of 31 December 2009		**342.000**	**15.670**	**50.170**	**37.603**	**445.443**

The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.

General Director Jurgis Aušra 8 March 2010

Cash flow statement

	Notes	2009	2008
Cash flows from operating activities			
Net profit		37.603	28.598
Adjustments:			
Depreciation and amortisation	3	20.248	19.870
Impairment and write-off of property, plant and equipment		61	1.173
Change in allowance for inventories	5	(121)	(50)
Change in allowance for doubtful receivables	6	(393)	94
Income tax expenses	17	5.026	4.442
Interest expenses (income), net	16	(1.687)	506
		60.737	54.633
Change in inventories	5	265	(1.517)
Decrease (increase) in trade and other receivables	6	(708)	(2.404)
Decrease (increase) in other current assets	7	348	4.589
Decrease (increase) in prepayments		37	20
Increase (decrease) in trade and other payables	11	(1.477)	401
Increase (decrease) in other current liabilities and payroll related liabilities	12	1.962	128
		61.164	55.850
Income tax paid		(3.577)	(3.307)
Net cash flows from operating activities		**57.587**	**52.543**
Cash flows from investing activities			
Acquisition of non-current assets (except investments)	3	(12.679)	(7.146)
Investment in short -term deposits	7	15.103	(16.118)
Interest, dividends received	16	1.766	746
Net cash flows from investing activities		**4.190**	**(22.518)**

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The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.

Cash flow statement (continued)

	Notes	2009	2008
Cash flows from financing activities			
Dividends paid	19	(13.499)	(7.024)
Repayment of loans	10	(15.605)	(15.606)
Interest paid	16	(79)	(1.252)
Net cash flows from financing activities		**(29.183)**	**(23.882)**
Net increase (decrease) in cash and cash equivalents		**32.594**	**6.143**
Cash and cash equivalents at the beginning of the year		**8.594**	**2.451**
Cash and cash equivalents at the end of the year		**41.188**	**8.594**

The accompanying notes, set out on pages 12-36, are an integral part of these financial statements.

General Director	Jurgis Aušra	8 March 2010

Notes to the financial statements

1 General information

AB Klaipėdos Nafta (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių g. 19, Klaipėda, Lithuania.

The Company was founded by AB Naftos Terminalas (Lithuania) and Lancaster Steel Inc. (USA), acquiring 51% and 49% of the shares, respectively. The Company was registered on 27 September 1994.

Authorised capital of the Company as of 31 December 2009 amounts to 342 000 000 LTL and is fully paid in. The authorised capital consists of 342,000,000 ordinary shares with the nominal value of 1 LTL each.

Based on the Lithuanian Government's resolution No. 722 „Regarding realisation of the State‘s capital and non-capital interests held in state companies, stock companies and companies with limited liability operating in the energy sector", dated 8 July 2009, the Ministry of Economy transferred the state owned shares of Klaipėdos Nafta to the Ministry of Energy on 3 August 2009. All the shareholding is governed by 1 415 shareholders, where the State owns 70,63 % (241 544 426) of the shares.
The Company has not acquired any own shares and during the year 2009 did not carry out any transactions in relation to acquisition or disposal of own shares. The Company‘s shares are included in the Baltic Additional Trading List of the Stock Exchange NASDAQ OMX Vilnius.
As of 31 December 2009 and 2008 the shareholders of the Company were:

	31 December 2009		31 December 2008	
	Number of shares held (thousand)	**Percentage**	**Number of shares held (thousand)**	**Percentage**
Republic of Lithuania represented by the Ministry of Energy	241 544	70,63	241 544	70,63
AB Achema	31 265	9,14	26 022	7,61
Swedbank funds	8 720	2,55	7 131	2,09
Skandinavska Enskilda Banken funds	10 539	3,08	11 386	3,33
Other (less than 5% each)	49 932	14,60	55 917	16,34
Total	342 000	100,00	342 000	100,00

On 23 April 2009 the general shareholders meeting approved appropriation of profit for 2008 and allocated 13 532 000 of dividends for the year 2008. According to an agreement signed with AB SEB Bankas the Company transferred the dividends for 2008 to the bank which paid out the dividends to the shareholders. The dividends for 2008 paid out to the shareholders in 2009 amounted to 13 494 271 LTL (the major shareholder – the Lithuanian State received 9 557 249 LTL of dividends for 2008), 37 729 LTL remained unpaid, as part of the shareholders have not presented their personal data or have not addressed the bank for payment.

The Company‘s liability to the shareholders as at 31 December 2009 includes 9 353 LTL of dividends allocated in 1999, 772 LTL of dividends allocated in 2000, 17 051 LTL allocated in 2002, 21 402 LTL allocated in 2003, 7 431 LTL allocated in 2006, 9 251 LTL allocated in 2007, 37 729 LTL allocated in 2008. The total unpaid amount of dividends - 102 989 LTL is stated in the item of liabilities "Dividends payable", in the statement of financial position.

As of 31 December 2009 the number of employees of the Company was 316 (2008 : 308). The Company's management authorized these financial statements on 8 March 2010.

2 Significant accounting policies

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

2.1. Basis for preparation of the financial statements

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU.

Adoption of new and/or amended IFRSs and IFRIC interpretations

Several new and revised International Financial Reporting Standards and interpretations have been issued, which shall be subject to application in financial reporting starting from 1 January 2010 and subsequent years. The Company has decided not to apply earlier the new standards and interpretations. Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Company‘s management, are stated below.

- *Amendment to IFRS 3 "Business combinations*
  The 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. The amendment to IFRS 3 is not relevant to the Company's financial statements as it does not have any interests in the companies, operations of which will be affected by the amendment to the standard.

- *Amended IAS 27 "Consolidated and separate Financial Statements"*
  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. Revised IAS 27 is not relevant to the Company's financial statements as the Company does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

- *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 Company's financial statements as the Company has not issued such instruments at any time in the past.

- *Amendment to IAS 39 Financial Instruments: recognition and measurement*
  The amended Standards explains application of existing principles which determine whether certain risks or parts of cash flows are appropriate for hedging from risks in relationships. When indicating hedging relationships, risks or parts must be separately identified and reliably estimated, without designation of inflation (only in limited circumstances). The amendment to 39 IAS is effective for annual periods beginning on or after 1 July 2009. The management has not yet assessed the effect of the amendment of IAS 39 on the Company‘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. Further, the Company has not entered into any service concession arrangements.

2.2. Basis for preparation of the financial statements (continued)

Adoption of new and/or amended IFRSs and IFRIC interpretations (continued)

- *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 Company's financial statements as the Company 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 Company's financial statements as the Company does not have any investments in a foreign operation.

- *IFRIC 17 Distribution of non-cash assets to owners*
  This interpretation is applicable on distribution of non-cash assets to owners as holders of shares. According to this interpretation, a liability to pay out dividends is defined after the dividends are approved and no longer remain in the company's disposition, and are valued at fair value of the distributable asset. The carrying amount of payable dividends is reviewed on each reporting date and all the changes of the carrying amount are stated under equity as an adjustment of the distributable amount. After the dividends are paid out, an eventual difference between the carrying amounts of the distributable asset and payable dividends is 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 as of the application date, it will not have any effect on the financial statements for the periods commencing before the application date of the interpretation. Furthermore, as it relates to future dividends, which are under the shareholders' discretion, it is not possible to determine the effects of application in advance.

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 is not relevant to the Company's financial statements as the Company does not receive in scope asset contributions from its customers.

2 Significant accounting policies (continued)

2.3. Foreign currency

Functional currency

The amounts shown in these financial statements are measured and presented in local currency, Litas (LTL), 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 income statement under finance income or costs.

2.4. Segment reporting

The Company operates in one business and geographical segment.

2.5. 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 least at each financial year-end.

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

2.6. Property, plant and equipment

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 m3	15 - 21
Storage tanks 20.000 m3	43
Waste Water Treatment building	51
Reinforced concrete bridges	70
Railway trestle	55 - 65
Machinery and equipment, specifically:	3 - 40
Vapour combustion units; heat-exchangers	11 - 39
Marine loading arms	12
Other property plant and equipment, specifically	3 - 40
Technological pipelines	40 - 41
Control cables	12

2 Significant accounting policies (continued)

2.5. Property, plant and equipment (continued)

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 profit or loss, 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 profit or loss, 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 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2 Significant accounting policies (continued)

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.

The Company did not have financial instruments stated at fair value as of 31 December 2009 and 2008.

2.6. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.7. 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.

2 Significant accounting policies (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. The Company recognises termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits recognised are recognised at present value discounted using market rate.

2.8. 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.

2.9. 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.

2.10 Borrowings

Borrowing costs in relation to loans for acquisition of property, plant and equipment are recognised as part of transaction costs and added to the acquisition cost of the asset accordingly.

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings.

2.11 Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.

The Company as a lessee

Financial lease, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as expenses in profit or loss on a straight line basis over the lease term.

2 Significant accounting policies (continued)

The Company as a lessor

Lease where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease – the Company as a lessor

Assets leased under operating lease in the statement of financial position of the Company are accounted for depending on their nature. Income from operating lease is recognised as other income in the statement of comprehensive income within the lease period using the straight-line method. All the discounts provided to the operating lessee are recognised using straight-line method during the lease period by reducing the lease income. Initial direct expenses incurred in order to generate lease income are included in the carrying value of the leased asset.

2.12 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 2009 was 20 % (2008 : 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 that can be carried forward for 5 consecutive years. The losses from disposal of securities and/or derivative financial instruments 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.

2.13 Dividends

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

2 Significant accounting policies (continued)

2.14 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.

2.15 Revenue recognition

enterprise and 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.

2.16 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.

2.17 Impairment of assets

<u>Financial assets</u>

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.

<u>Other assets</u>

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.

2 Significant accounting policies (continued)

2.18 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the estimation of useful life time (Note 2.5) and impairment evaluation (Note 2.18). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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.

2.19 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.20 Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.21 Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain International Financial Reporting Standard specifically requires such set-off
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3 Property, plant and equipment

	Buildings and structures	Machinery and equipment, other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost:				
Balance as of 31 December 2008	410.386	321.256	4.777	736.419
Additions	66	551	16.069	16.686
Prepayments			11	11
Retirements and disposals	(184)	(827)		(1.011)
Reclassification	(197)	(4)	201	-
Transfer from construction in progress	117	2.588	(2.705)	-
Balance as of 31 December 2009	410.188	323.564	18.353	752.105
Accumulated depreciation and impairment :				
Balance as of 31 December 2008	138.516	184.230	-	322.746
Charge for the year	10.542	9.653	-	20.195
Retirements and disposals	(172)	(828)	-	(1.000)
Impairment for the year		51	-	51
Balance as of 31 December 2009	148.886	193.106		341.992
Net book value as of 31 December 2009	**261.302**	**130.458**	**18.353**	**410.113**
Net book value as of 31 December 2008	**271.870**	**137.026**	**4.777**	**413.673**

	Buildings and structures	Machinery and equipment, other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost:				
Balance as of 31 December 2007	410.484	319.043	1.334	730.861
Additions		2.310	2.934	5.244
Prepayments			1.913	1.913
Retirements and disposals	(322)	(1.046)	(231)	(1.599)
Transfer from construction in progress	224	949	(1.173)	-
Balance as of 31 December 2008	410.386	321.256	4.777	736.419
Accumulated depreciation and impairment:				
Balance as of 31 December 2007	128.102	175.268	-	303.370
Charge for the year	10.540	9.262	-	19.802
Retirements and disposals	(126)	(1.235)		(1.361)
Impairment for the year		935	-	935
Balance as of 31 December 2008	138.516	184.230	-	322.746
Net book value as of 31 December 2008	**271.870**	**137.026**	**4.777**	**413.673**
Net book value as of 31 December 2007	**282.382**	**143.775**	**1.334**	**427.491**

3 Property, plant and equipment (continued)

The depreciation charge of the Company's property, plant and equipment for the year 2009 amounts to LTL 20.195 thousand (LTL 19.802 thousand in 2008). LTL 20.082 thousand of depreciation charge have been included into cost of sales in the Company's statement of comprehensive income, the remaining amount has been included into operating expenses for the year.

The bank loans were secured by the guarantee issued by the Ministry of Finance of the Republic of Lithuania. Upon repayment of the bank loans as at 31 January 2009, on 23 April 2009 the Ministry of Finance resigned the pledge of assets with the carrying amount of LTL 78 973 thousand as at 31 December 2008. The Company does not have any pledged assets as at 31 December 2009.

Part of the Company's property, plant and equipment with an acquisition value of LTL 54.120 thousand as at 31 December 2009 was fully depreciated but still used by the Company (LTL 50.680 thousand as at 31 December 2008).

In 2009 the Company completed reconstruction of the 10 inches low sulphur fuel oil loading equipment, modernisation of emergency stop system of production equipment and installed a security system of electronic circumference, and transferred LTL 117 thousand of assets from construction in progress into the item of buildings and structures. An amount of LTL 2 588 thousand was transferred into the item of machinery and equipment, other property, plant and equipment. The assets were started to be used and depreciated.

In 2009 the Company recognised an impairment of 3 newly acquired and not used pumps by an amount of LTL 1 013 thousand (LTL 935 thousand in 2008). The pumps, together with the power equipment, were ordered for realisation of the project „Modernisation of technological manifold in 2 storage tanks of 32250 m³ each of AB Klaipėdos Nafta". ". According to the project, it is planned to use the two newly constructed storage tanks for gasoline reloading. Due to changes in the market the project was suspended.

4 Non-current financial assets

On 19 December 2007 the Company acquired 1 % shareholding in the international pipeline company Sarmatia and purchased 180 shares at a nominal value of 500 PLZ each. The investment was accounted for at acquisition cost, the equivalent of which in Litas amounted to LTL 75 182 as at 31 December 2009 (2008-12-31 LTL 74 993 as at 31 December 2008).

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5 Inventories

	2009	2008
Spare parts, construction materials and other inventory	2.641	3.320
Oil products	2.470	2.056
	5.111	5.376
Less: net realisable value allowance	(1.714)	(1.835)
	3.397	3.541

Impairment is mainly recorded for construction materials and spare parts which were not used during reconstruction.

Oil products mainly comprise heavy oil products collected in the Waste Water Treatment Facilities. An amount of oil products has increased as during the period 2007-2009 the Company did not perform any sales of heavy oil products.
The Company stores in the storage tanks more than 10,5 thousand tons of oil products as of 31 December 2009 (57 thousand tons as at 31 December 2008), which accumulate due to technological process during reloading. Such oil products are not recognised in the Company's financial statements, they are accounted for in the off-balance sheet accounts.

Change in impairment of inventories for 2009 and 2008 is included under operating costs.
In 209 an amount of write-down of inventories recognised as expenses is LTL 18.184 thousand (LTL 21.062 thousand in 2008).

6 Trade and other receivables

	2009	2008
Receivable for reloading of oil products and other related services	4.944	5.265
Other receivables	11	154
	4.955	5.419
Less: allowance for doubtful trade receivables	-	(393)
	4.955	5.026

Changes in allowance for doubtful trade receivables for the year 2009 have been included into operating expenses in the statement of comprehensive income.

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

As of 31 December 2009 there were no trade receivables fully impaired and provided for (none as at 31 December 2008).

Movements in allowance for doubtful trade receivables were as follows:

	Allowance
Balance as of 31 December 2006	123
Charge for the year	176
Balance as of 31 December 2007	299
Charge for the year	94
Balance as of 31 December 2008	393
Balance as of 31 December 2009	-

No individual allowance was made in 2009 and in 2008.

Trade and other accounts receivable are written off when the management is certain that the amount will not be recovered.

The age analysis of trade and other receivables as of 31 December 2009 and 2008 is as follows:

		Trade receivables past due but not impaired					
	Trade and other receivables neither past due nor impaired	**Less than 30 days**	**30 – 59 days**	**60 – 89 days**	**90 –359 days**	**More than 360 days**	**Total in thousand LTL**
2008	4.296	185	129	243	566	-	5.419
2009	4.920			6	29	-	4.955

Credit quality of financial assets neither past due nor impaired

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognised, creditworthy third parties.

7 Other current assets

	2009	2008
Excess of taxes paid	842	1.293
Short-term deposits	4.744	19.847
Deferred expenses	487	361
Other accounts receivable	542	568
	6.615	22.069
Less: allowance for other current assets	(482)	(485)
	6.133	21.584

Changes in allowance for other current assets for the year 2009 and 2008 have been included into operating expenses in the statement of comprehensive income.

As of 31 December 2009 the Company had two term deposits of LTL4.744 thousand with the maturity of 120 – 122 days, and an annual interest rate of 6,6 – 6,9 %. As of 31 December 2008 the Company had four term deposits at the value of LTL 19.847 thousand with the maturity of 91 – 180 days and an annual interest rate of 5,4 – 8,5 %.

8 Cash and cash equivalents

	2009	2008
Cash at bank, LTL thousand	8.142	3.672
Cash at bank, LTL thousand	32.922	4.726
Cash at bank, LTL thousand	124	196
	41.188	8.594

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 7).

9 Reserves

<u>Legal reserve</u>

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Distributing the profit of 2009, the Company has to transfer to the legal reserve not less than LTL 1,880 thousand.

<u>Other reserves</u>

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

10 Borrowings

Creditor	Original currency	Principal amount (in LTL thousand)	Interest rate	Balance as of 31 December 2009	Balance as of 31 December 2008
AB SEB Bankas, AB Swedbank, AB DnB NORD Bankas, loan	Euro	37 570	6 months EUR LIBOR + 1,1 %	-	15.605
				-	15.605
Less: current portion				-	(15.605)
Non-current loans, net of current portion				-	-

The Company has repaid LTL 15 605 thousand of loans and has no more loans as at 31 December 2009. No new financial liabilities were assumed during the financial year.

11 Trade and other payables

	2009	2008
Payable for railway services	539	575
Payable for construction and repair works	4.237	128
Other trade payables	1.364	1.393
	6.140	2.096

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

12 Other current liabilities

	2009	2008
Tax on real estate payable	638	-
Accrued expenses	162	150
Advances received	59	53
Other	14	13
	873	216

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

13 Sales

	2009	2008
Sales of loading/unloading services	113.318	115.641
Other sales related to loading	3.031	3.971
	116.349	119.612

Other sales related to loading include moorage, sales of fresh water, transportation of crew and other sales related to loading.

14 Cost of sales

	2009	2008
Depreciation and amortisation	20.131	19.771
Wages, salaries and social security	16.043	15.708
Heating and steam	13.116	18.848
Railway services	5.172	5.423
Electricity	3.749	3.725
Repair and maintenance of non-current assets	3.066	787
Other	2.694	2.759
	63.971	67.021

Decrease in heating and steam expenses was caused by the decrease in prices and in sales volume of loading services.

15 Operating expenses

	2009	2008
Salaries, bonuses and social security	3.149	4.327
Tax on real estate	2.608	6.132
Rent of land and quays	2.350	2.368
Insurance of assets	1.006	1.015
Consultations	392	858
Support	262	790
Advertising	209	203
Depreciation and amortisation	117	99
Change in vacation reserve	(40)	214
Change in impairment for property, plant and equipment	51	935
Write-off of inventories to net realisable value	-	790
Other	1.361	1.358
	11.465	19.089

16 Income (expenses) from financial and investment activities, net

	2009	2008
Interest income	1.766	746
Gain from currency exchange		18
Other	17	11
Financial income, total	**1.783**	**775**
Interest and loan administration costs	(79)	(1.210)
Loss from currency exchange	(6)	(32)
Other financial expenses	(2)	(43)
Financial expenses , total	**(87)**	**(1.285)**
	1.696	**(510)**

17 Income tax

	2009	2008
Components of the income tax expense (income)		
Current year income tax at 20% rate (2008 : 15 %)	9.142	6.261
Adjustment of temporary social tax of previous year	-	23
Set-off with income tax on dividends		(50)
Prior year current income tax adjustment	(70)	(4.436)
Current year income tax expenses	9.072	1.798
Deferred tax expense (income)	(4.046)	2.644
Income tax expenses charged to statement of comprehensive income	5.026	4.442

17 Income tax (continued)

	2009	2008
Deferred tax asset		
Receivables	70	173
Accrued vacation reserve	180	248
Inventories	257	367
Property, plant and equipment (depreciation and interest)	1.270	1.737
Deferred tax asset before valuation allowance	1.777	2.525
Less: valuation allowance	(70)	(173)
Deferred income tax asset, net	1.707	2.352
Deferred tax liability		
Property, plant and equipment	(12.490)	(17.338)
Accrued income		158
Deferred income tax liability	(12.490)	(17.180)
Deferred income tax, net	(10.783)	(14.828)

Valuation allowance was made for part of the deferred tax asset that, in the opinion of the management, is not likely to be realised in the foreseeable future. In 2009 valuation allowance was made for the deferred income tax component - impairment of receivables, which is not expected by the Company‘s management to be recognised as deductible expenses in the future. Deferred income tax asset and deferred income tax liability are set-off, as they both are related to the same tax authority.

While assessing deferred income tax asset and liability components for the year ended 31 December 2009, the Company has used the income tax rate of 15 % (2008 : 20 %) for those items, which will be realised in 2010 and later.

Movements in pre-tax components of temporary differences and the related total deferred tax amounts for the Company are as follows:

	Balance as of 31 December 2008	**Recognised in statement of comprehen-sive income**	**Balance as of 31 December 2009**
Receivables	865	(397)	468
Accumulated vacation reserve	1.240	(40)	1.200
Inventories	1.835	(121)	1.714
Property, plant and equipment (depreciation and interest)	8.683	(214)	8.469
Property, plant and equipment	(86.688)	3.422	(83.266)
Other	790	(790)	
Total temporary differences	(73.275)	1.860	(71.415)
Impairment	(865)	397	(468)
Deferred income tax, net	(14.828)	(4.046)	(10.783)

17 Income tax (continued)

The reported amount of income tax expenses attributable to the period can be reconciled to the theoretical amount of income tax expenses that would arise from applying statutory income tax rate to pre-tax income as follows:

	2009	2008
Profit before tax	42.629	33.040
Income tax expenses computed using the statutory tax rate (2009 :20% and 2008:15%)	8.526	4.956
Permanent differences	616	1.304
Change in tax rate	-	2.645
Set-off with income tax on dividends	(70)	(50)
Change in temporary differences	(4.046)	(4.413)
Income tax expenses charged to the statement of comprehensive income	5.026	4.442

18 Earnings per share, basic and diluted

Basic earnings per share amounts are calculated by dividing net profit for the year by the number of ordinary shares outstanding during the year. Diluted earnings per share equal basic earnings per share as there were no potential shares issued. Basic and diluted earnings per share are as follows:

	2009	2008
Net profit attributable to shareholders	37.603	28.598
Weighted average number of ordinary shares (thousand)	342.000	342.000
Earnings per share (in LTL)	0,11	0,08

19 Dividends

	2009 *	2008 *
Dividends declared	13.532	6.974
Weighted average number of ordinary shares (thousand)	342.000	342.000
Declared dividends per share (expressed in LTL per share)	0,040	0,020

* The year when dividends are declared

On 23 April 2009 the Company‘s shareholders announced dividends of LTL 13.532 thousand payable for the year 2008 in 2008 LTL 6.974 thousand payable for 2007). The major part of the amount was paid out during 2009. The remaining amount of declared dividends is stated under the item of payable within one year as dividends payable to the shareholders who were not found according to stated addresses. The not paid dividends amount of the previous year amounted to LTL 103 thousand as at 31 December 2009 (as at 31 December 2008 : LTL 68 thousand).

20 Financial assets and liabilities and risk management

Credit risk

The Company has significant concentration of trading counterparties. The main two customers of the Company – AB Orlen Lietuva and UAB Naftos Grupė – on 31 December 2009 account for approximately 96% (approximately 94% as of 31 December 2008) of the total Company's trade receivables. The average payment terms for those two customers are 6 - 15 days whereas the usual payment terms for all other customers are 6 days. The credit risk for these two customers is managed by a continuous monitoring of outstanding balances.

The Company's procedures are in force to ensure on a permanent basis that services are provided to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Company considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts and cash and other short-term deposits recognised at the date of statement of financial position.
The Company trades only with recognised third parties, so there is no requirement for collateral.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates.
The Company has no significant interest-bearing assets.

Foreign exchange risk

All monetary assets and liabilities of the Company are denominated in Litas or Euro, and the exchange rate of the latter is fixed in respect to Litas. The Company's receivable and payable amounts denominated in foreign currencies as at 31 December 2009 were as follows:

	31 December 2009	31 December 2008
	EUR	EUR
Other current assets	-	4.300
Cash and cash equivalents	3.302	710
	3.302	5.010

20 Financial assets and liabilities and risk management (continued)

Sensitivity to changes in foreign exchange rates

Strengthening of the position of LTL by 10% in respect of EUR as at 31 December 2009 would decrease the equity and profit (loss) by amounts stated below. It is assumed in this analysis that all other variables, especially interest rate, remain unchanged.

31 December 2009 Effect in LTL thousand	Equity	Profit/ loss
EUR	(1.140)	(1.140)

31 December 2008 Effect in LTL thousand	Equity	Profit/ loss
EUR	(1.730)	(1.730)

Weakening of the position of LTL by 10% in respect of EUR as at 31 December 2009 and 2008 would have similar only opposite effect on the amounts denominated in the above currencies on the basis that all other variables remain unchanged.
The functional currency of the Company is Litas (LTL). As the exchange rate of LTL and EUR is fixed to 3.4528 LTL / EUR, the foreign exchange risk encounted by the Company is related to purchases and sales denominated in currencies other than EUR. In 2009 all transactions were carried out in LTL and EUR, therefore, the Company was not exposed to significant foreign exchange risk.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.
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The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as of 31 December 2009 were 5,71 and 5,36, respectively (2,16 and 1,98 as at 31 December 2008).

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company's activities generate sufficient amount of cash, therefore the main managements' responsibility is to monitor that the liquidity ratio of the Company is close to or higher than 1. The Company met the managements' expectations in the liquidity area in years 2009 and 2008.

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2009 and 2008 based on contractual undiscounted payments

20 Financial assets and liabilities and risk management (continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-					
Trade and other payables	-	6.242				6.242
Other financial liabilities	-		3.504			3.504
Balance as of 31 December 2009	-	6.242	3.504			9.746
Interest bearing loans and borrowings	-	7.803	7.802			15.605
Trade and other payables	-	2.035	61			2.096
Other financial liabilities	-	1.541		17	51	1.609
Balance as of 31 December 2008	-	11.379	7.863	17	51	19.310

Fair value of financial instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

Set out is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash	41.188	8.594	41.188	8.594
Trade and other receivables	4.955	5.026	4.955	5.026
Other financial assets	6.133	21.584	6.133	21.584
Financial liabilities				
Bank loans	-	15.605	-	15.605
Trade and other payables	6.140	2.096	6.140	2.096
Other financial liabilities	2.391	284	2.391	284

As of 31 December 2009 an amount of other financial assets was less as this item includes only two term deposits of the total value LTL 4.744 thousand with maturity longer than 3 months (note 7). As of 31 December 2008 the Company had four term deposits at the total value of LTL 19.847 thousand.

20 Financial assets and liabilities and risk management (continued)

A market price of the investment in international pipeline company Sarmatia cannot be reliably estimated, therefore the investment is accounted for at cost. It was also impossible to derive the fair value for the period using comparable transactions. The Company did not measure the investment by discounting the expected cash flows because the cash flows could not be reliably determined.

In 2009 the fair value of loans, other financial liabilities and other financial assets was calculated using market interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade accounts receivable, current trade accounts payable and current borrowings approximates fair value.
b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The Company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania.

21 Commitments and contingencies

As at 31 December 2009 the Company did not have any commitments and contingencies.
The tax authorities have not performed a full scope tax review of the Company for the period 2005 to 2009. According to prevailing tax legislation the tax authorities have the right to check accounting registers and records of the company for 5 years prior to the current accounting period and may charge additional taxes and penalties. Management of UAB Lisco Shipping Logistics is not aware of any circumstances due to which additional material tax liabilities could be imposed on the Company.

22 Related party transactions

The parties are considered related when one party has the possibility to control the other one or has significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them in 2009 and 2008 were as follows:

Transactions with State institutions

Tax expense	2009	2008
Income and social tax	9.142	6.234
Current income tax adjustment of prior year	(70)	(4.436)
Tax on real estate	2.608	6.132
Other operating taxes	62	77
Social security tax	4.937	5.057
	16.679	13.064

22 Related party transactions (continued)

Transactions with State institutions (continued)

Excess of tax paid	**2009**	**2008**
Income and social tax prepayment	-	2.910
Prepayment of tax on real estate	-	768
Prepayment of VAT	737	-
Other	105	500
	842	4.178

Taxes payable	**2009**	**2008**
Income tax	1.412	-
Tax on real estate	638	-
Other operating taxes	14	14
Contributions to warranty reserve	2	-
Social security tax	-	71
	2.066	85

Remuneration to the management and other payments

In 2009 remuneration to the Company's management amounted to LTL1.143 thousand (2008 : LTL1.295 thousand). In 2009 and 2008 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

23 Subsequent events

Based on the instruction issued by the Ministry of Energy of the Republic of Lithuania, during not full half of the year the Company implemented technical measures allowing to provide reloading of oil products not only into railway tankers but also into auto tankers for the clients who are planning to import gasolines and fuel oil into the Lithuanian market. On 28 January 2010 UAB Lukoil Baltija supplied 7 500 tons of gasoline E-95, which was accepted by the Company and transported to the customer‘s base in Lithuania in the railway tankers, with further distribution to gas stations.

On 18 February 2010 a commission approved and acknowledged as proper for usage the structures for reloading of light oil products into mobile tankers, the reconstruction of which has been completed.

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

24 Operating segments

The Company has only one operating segment– loading of oil products and related services. Geographical information can be presented as follows (revenue is presented as to geographical location of the client and assets as to location of these assets):

	Revenue	Property, plant and equipment
Lithuania	112.850	410.216
Austria	3.096	-
Other countries	403	-
	116.349	410.216

The Company has 2 clients, generated income from which in year 2009 amounted to more than 10 % of the total revenue. Income from the mentioned clients amounted to LTL 63.525 thousand and LTL 32.182 thousand.

KLAIPĖDOS NAFTA
AKCINĖ BENDROVĖ

ANNUAL REPORT

2009

Klaipėda
March 2010

CONTENT

1. Accounting period

The Annual Report is prepared for the period January – December 2009. All figures are presented as at 31 December 20089 if not indicated otherwise. In this Annual Report AB Klaipėdos Nafta may also be referred to as the Company, Terminal or Issuer.

2. Details about the Company

Name of the Issuer:	AB Klaipėdos nafta
Legal status:	Stock Company
Authorised capital (LTL):	342 000 000
Date and place of registration:	27 September 1994, State Enterprise Register Centre
Company code:	110648893
Address:	Burių g. 19, 91003 Klaipėda
Issuer’s register:	State Enterprise Register Centre
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail addresses:	info@oil.lt
Website:	www.oil.lt

3. Activity of the Company

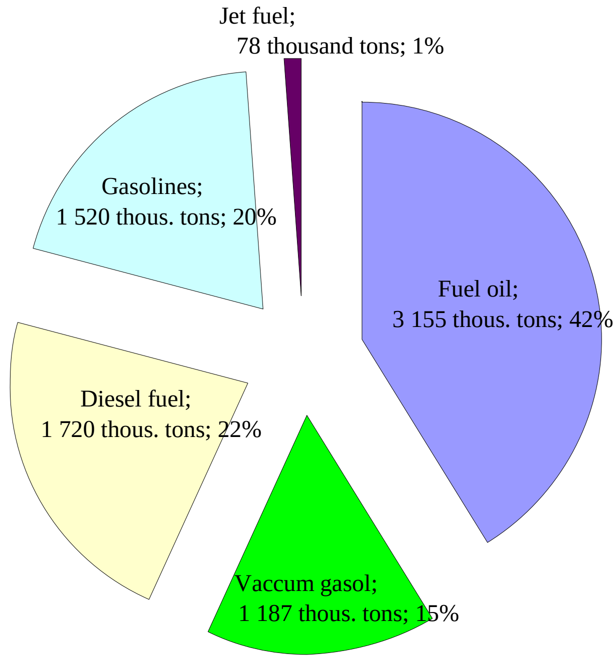
The Company’s core activity is reloading of oil products and other related services.

The Company provides the following services: reloading of oil products from railways tanks into tankers as well as from tankers into railway tanks, provision of temporary storage (accumulation) of oil products, acceptance of water polluted with oil products from ships, mooring incoming tankers, supply of ships with water, determinationof quality parametres of oil products, incorporation of chemical supplements in oil products.

The Terminal has an equipped loading site for autotanks allowing to reload gasoline and fuel oil from tankers into autotanks and supply the local maket.

For customers convenience, the Company has customs- and excise warehouses allowing the clients to perform sales/purchase procedures of oil products.

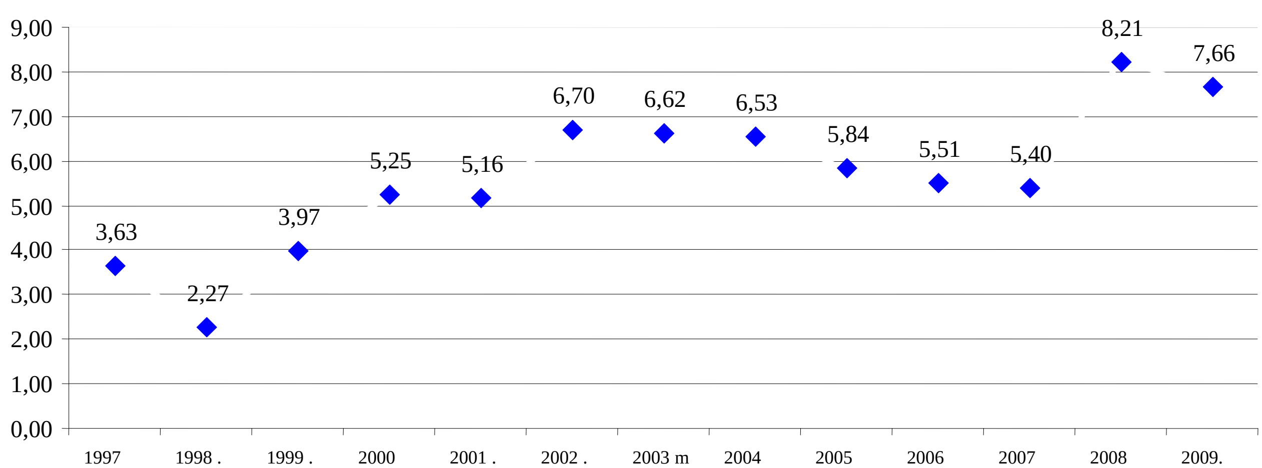
In 2009 the Company reloaded 7 660 thousand tons of oil products:



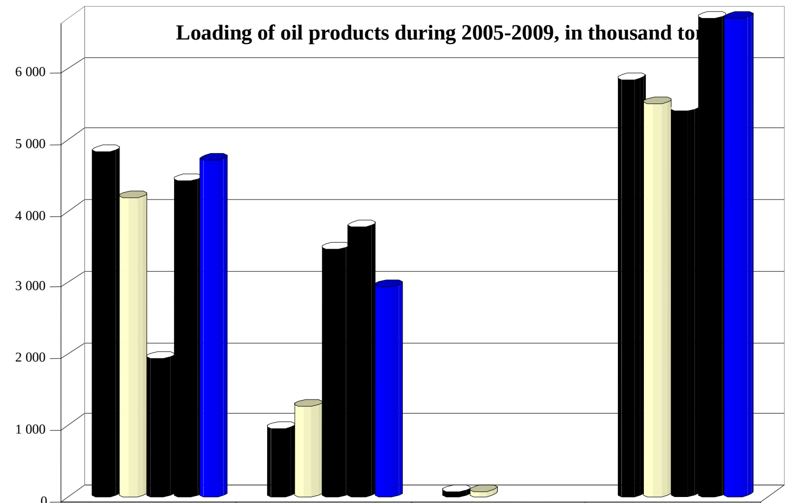
In 2009 the reloading of oil products was lower by 7%, compared to the year 2008, however one the best annual loading since 2007 when AB Klaipėdos Nafta, established as a contractor of the terminal reconstruction, took over oil loading functions.

The Company's development goal to modernise the terminal and obtain new potential was correct. Currently, the oil terminal is actively operating in the Baltic market of cargo transitservices.

Loading of oil products of AB Klaipėdos Nafta during 1997-2009, in million tons



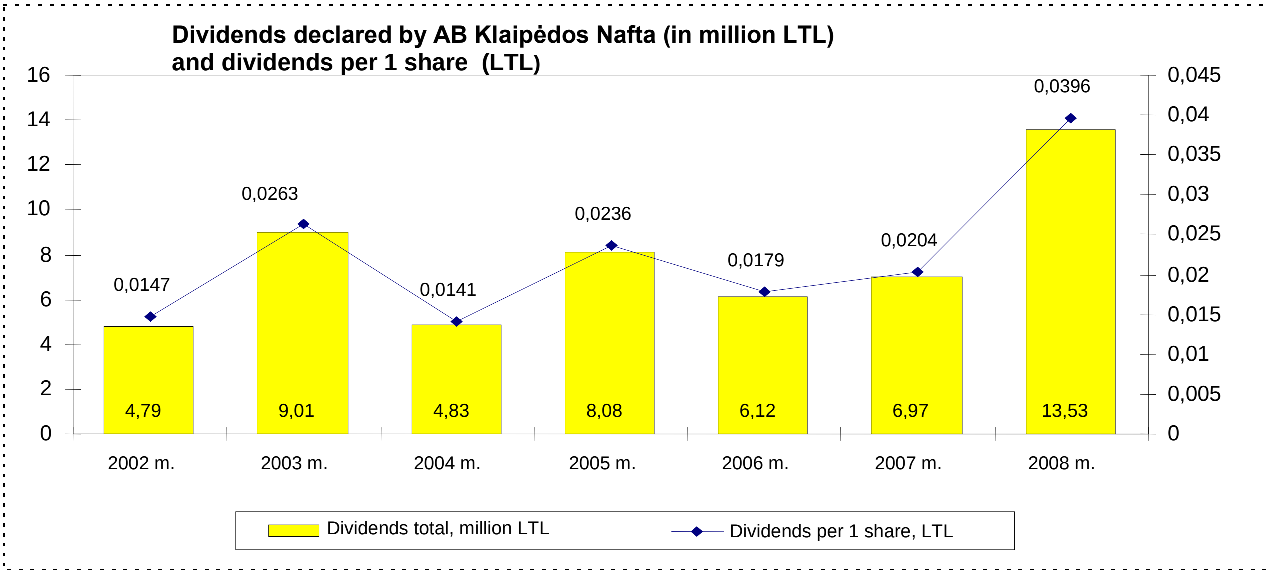
Succesful operation of the Company in 2009 was reasoned by an on-going flow of cargo throughout the year which was promoted by contracts with clients (AB ORLEN Lietuva stevedoring increased from 7 % to 4 429 thousand tons in 2008 and to 4 722 thousand tons in 2009) as well as by application of flexible policy of loading rates. Substantial experience of the Terminal, highly qualified specialists, efficient management and modern technologies ensure high servicing quality and satisfaction of the clients business needs and expectations.



	Iš AB ORLEN Lietuva (export)	From Russian and Belarussian refineries(transit)	Loading of orimulsion (import)	Total
■ 2005	4 830	953	61	5 844
□ 2006	4 185	1 264	60	5 509
■ 2007	1 933	3 470		5 403
■ 2008.	4 429	3 784		8 213
■ 2009	4 722	2 938		7 660

4. Significant events of the accounting period

On 23 April 2009 the general shareholders meeting approved the financial statements and profit appropriation for the year 2008. Allocation to dividends for 2008 amounted to LTL 13,53 million.



During 2009 the Company reloaded by 8 % more oil products and exceeded the loading plan of 7,1 million tons of oil products for 2009. This resulted in an increase of sales revenue by 17 % (LTL 99,6 million) and three times exceeded the budgeted gross profit (LTL 11,9 million).

On 30 January 2009 the Company repaid the outstanding part of the long-term loan in the amount of LTL 15,6 million, which was received from the Lithuanian banks SEB, Swedbank and DnB NORD against the guarantee of the Lithuanian State. Presently te Company does not have any liabilities to the banks.

In 2009 the Confederation of Industrialists of Lithuania awarded the Company a nomination "Successfully operating company in 2009".

5. Significant events since the end of the previous financial year

Based on the instruction issued by the Ministry of Energy of the Republic of Lithuania, during not full half of the year the Company implemented technical measures allowing to provide reloading of oil products not only into railway tankers but also into autotankers for the clients who are planning to import gasolines and fuel oil into the Lithuanian market. On 28 January 2010 the new client UAB Lukoil Baltija imported by the Swedish tanker OLYMPUS a trial portion of gasoline E-95, which was accepted by the Company and transported to the customer‘s base in Lithuania in the railway tankers, with further distribution to gas stations.

On 18 February 2010 a commission approved and acknowledged as proper for usage the structures for transfuson of light oil products into mobile tankers, the reconstruction of which has been completed.

6. Risk factors affecting the issuer's activity

<u>Contestable environment.</u> The main competitors of the Company are terminals of other Baltic ports which reload oil and oil products exported from Russia: Ventspils Nafta (Latvia), Ventbunkers (Latvia), Pakterminal (Estonia), Eurodek Tallin (Estonia), Peterburg Oil Terminal (Russia). The most

significant factors influencing the competitiveness of the Company in the market are as follows: loading and storing (accumulation) capacity of terminal, technical parameters of the logistics chain starting from railway lines, depth and number of quays, possibility to apply a flexible prices policy, long-term supply contracts and also good relationships with clients.

The Company constantly searches for new potential clients by participatingin in international exhibitions of transport and logistics. In April 21-24 the Company introduced its services at the exhibition „TransRussia 2009“, held in Moscow, and on 6-9 October 2009 in Minsk at the exhibition „Transport and Logistics“.

Economic and market factors. The load of the Terminal and also the revenue and profitability of the Company mainly depend on the situation in the oil products market.

The Terminal is part of the logistics chain which starts from post soviet (mainly Russian) oil fields and oil refineries and ends in the Western countries. The flow of exported oil products is strongly related to prices of oil products in the global market. When the such prices are high and demand for oil products is increased, the flow of oil products via Baltic ports normally increases as well. In case of a decrease in prices, the flow of export may subside.

Political factors. Historically, the governments of Russia and Belarus executed strict control over export of oil and oil products determining severe quata for export. Decisions regarding assignment of quatas and export via the ports of a certain country are often made based on political reasons.

Commercial factors. After signing an agreement with AB ORLEN Lietuva, the future prospects of the Terminal depend from production volumes of the oil company in Mazeikiai. Stable operation of the mentioned company ensures a continuous flow of production to the Terminal.

At present, invoices issued for services rendered by the Company are settled within 15 days, which is a short term in the stevedoring sector.

Rates. An increased part of production supplied by AB ORLEN Lietuva which should be loaded at agreed and presently economically profitable rates, decrease the risk of rate fluctuations. Fluctuation of rates applied to other clients will be related mainly to future competition in the market.

Technological factors. Technological features of the Terminal determine the speed and efficiency of services to clients and an ability to generate additional income. Deepened quays and increased capacity of storage tanks currently allow to service the vessels of significantly larger tonnage.

Social factors. The Company has a professional union committee with which a Collective agreement has been signed valid for all employees of the Company until 23 September 2010.

Ecological factors. The Terminal is equipped with a management systems of automatic fire detection and extinction and computerised process of loading; technologies as to EU standards for protection against pollution of air, earth and water. Control of extreme situations, fire prevention and security systems comply with the requirements of port supervision institutions of Lithuania on fire prevention, labour security, civil security and environment protection. British Petroleum and SHELL have performed an analysis and evaluation of danger and risk at the Company and presented a positive evaluation of security of the Terminal.

7. Environment protection

The re were no accidends or malfunction at the Company in 2009. The Company performs constant environmental monitoring of:

- *underground water* (it has been measured that underground pollution with oil products, which accumulated over the period of activities of the old terminal, is getting less);
- *discharged waste water* (Biological treatment facilities of the Company guarantee less pollution of open water basins than has been determined in the Integrated Permit of Pollution Prevention and Control);
- *impact on ambient air* (Limits of volatile organic compounds and nitrogen oxides defined outside the boundaries of the sanitary zone of the Company were not exceeded. The equipment for burning volatile organic compounds arising from gasoline loading tankers collected and burned 1 103 tons of gasoline vapours during the year);
- *stationary sources of air pollution* (the amount of pollutants defined in the Environment Protection Permit was not exceeded).

The Company's expenditure for environment protection in 2009 amounted to LTL 2,5 million. For various environment reseach (examination of pollutants, etc.) the Company additionally allotted LTL 124 thousand. Pullution tax for the year amounted to LTL 61 thousad.

8. Operating results, key financial figures

In 2009 the Company earned net profit of LTL 37,6 million, which is by 31 % more tha in 2008 (LTL 28,6 million).

Profit for 2009 before tax, interest, depreciation and (EBITDA) increased by 15 % and amounted to LTL 61,19 million (2008 : LTL 53,37 million).

In 2009 income from sales decreased by 3 % from LTL 119,61 million to LTL 116,35 million, as reloading of oil products in 2009 was lower by 7 % compared to the year 2008 (95 % of the total operating income represent income from loading of oil products).

During the accounting period the Company did not undertake any new financial obligations.

Key financial figures

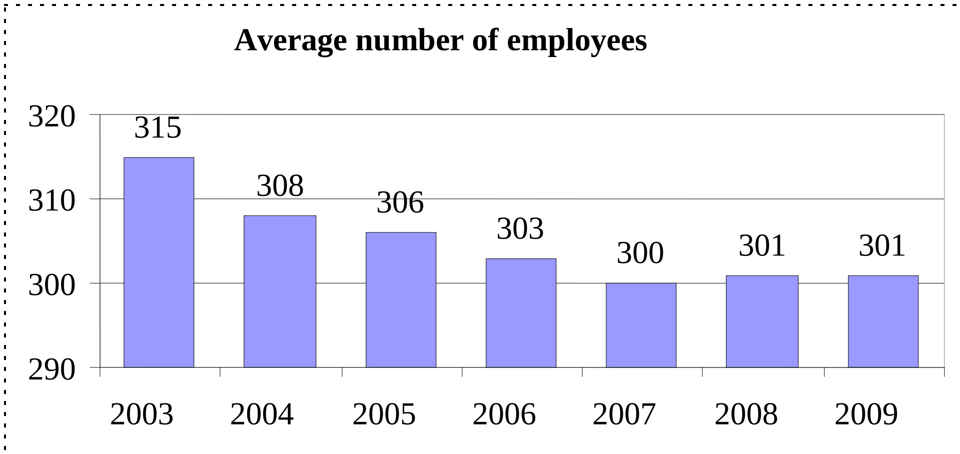
	Measure unit	2009	2008
Sales income	mln. Lt	**116,35**	**119,61**
Profit from typical activity	mln. Lt	40,91	33,50
Profit before interest, depreciation and amortisation (EBITDA)	mln. Lt	61,19	53,37
Profit before taxation	mln. Lt	42,63	33,04
Net profit	mln. Lt	**37,60**	**28,60**
Non-current assets at the end of the year	mln. Lt	410,29	413,81
Current assets	mln. Lt	55,68	41,70
Total assets	mln. Lt	**465,97**	**455,51**
Authorised capital	mln. Lt	342,00	342,00
Profitability ratios:			
Typical gross profit (net profit / sales income x 100)	%	35	28
EBITDA margin (EBITDA x 100 / sales income	%	53	45
Net profit ratio (net profit x 100 / sales income)	%	32	24
Average asset margin (net profit x 100 / non-current assets)	%	9	7
Financial structure ratios:			
Debt and equity coefficient (total liabilities /authorised capital)	-	0,06	0,10
Debt coefficient (total liabilities / assets)	-	0,04	0,07

9. Personnel

The Company constantly instructs and trains all the employees to work as to secure labour methods. Employees who work with potentially dangerous equipment and perform dangerous work are trained at licensed training institutions and every five years must undergo re-certification. Also the Company organizes training courses on a regular basis, helping the specialists to obtain practical skills in liquidation of accidents. Personnel of other companies performing contractual works on the Terminal’s territory receive instructions regarding labour safety, fire-fighting requirements set at the Oil Terminal (746 persons from other companies underwent instructions in 2009).

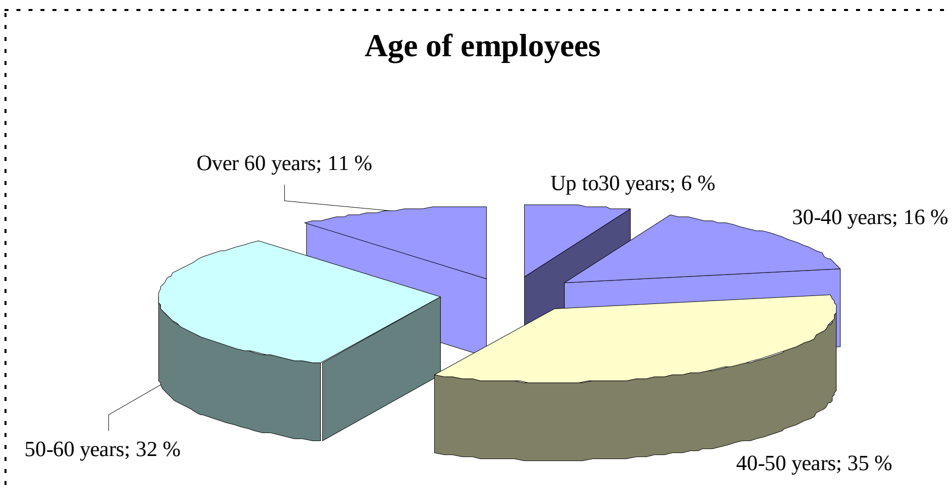
In 2009 there were two insignificant accidents: one during working hours, the other on the way to work.

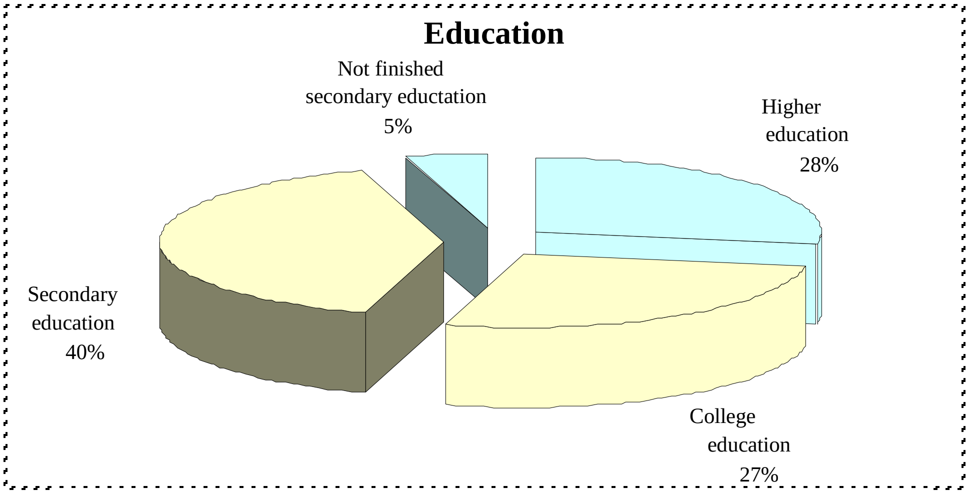
In 2009 the average listed number of employees was 301 – remained the same, compared to 2008 (301).



Blue-collar workers make 70 % of all employees, administration staff and specialists - 30 %. The Company's personnel consists of 71 % of men (2008 : 70 %) and 29 % of women (2008 : 30 %). The average age of employees was 47 years.

Detailed information on age and education of personnel is presented in the schemes below.





In 2009 an average monthly salary in the Company amounted to 4 009 LTL, which is a decrease by 3 % or 136 LTL, compared to the average monthly salary in 2008 (4 145 LTL.

Group of employees	Average number of employees		Average monthly salary, LTL	
	2009	2008	2009	2008
Administration	5	5	19 478	20 857
Specialists	86	86	5 141	5 404
Workers	210	210	3 543	3 624
Total	**301**	**301**	**4 009**	**4 145**

The Company has a professional union with which a Collective Agreement is signed on a continuous basis. The Collective Agreement is valid until 23 September 2010. The Employer and the workers' collective have agreed regarding work, work payment, working and rest time, qualification improvement, safety and health protection, other social and economic conditions. The Company's administration and representatives of the professional union co-operate closely regarding social, cultural, healthcare and other issues, hold meetings on a regular basis, twice per year perform follow-up on execution of the Collective Agreement and present conclusions thereon to the Workers' Conference.

The Company's management comprises the Director General, Production Director, Technical Director, Commercial Director and the Chief Financier. Based on the Gvernment resolution No.1341 "Regarding remuneration to management, their deputies and chief accountants in State owned companies, controllable state companies and limited liability companies", dated 23 August 2002, remuneration of the management was approved by the minutes of the board (minutes No.J3-1), dated 29 January 2009, determining salary multipliers and the procedure for payment of additions to employees in the mentioned positions.

10. Activity plans and forecasts

In 2010 the Company is planning to operate with a maximum capacity, i.e. to reload 7,1 million tons of oil products, and earn LTL 103,0 million of income, which is by 3 % more than in 2009.

In 2010, the Company will continue following the dividends pay out policy.

Aiming to maintain the efficiency of loading management by means of efficient usage of energy resources and implementation of environment protection means, in 2010 the Company is planning to continued modernisation of the Terminal using own funds.

11. Information on the Company's branches and representative offices

The Company does not have any branches and representative offices.

12. Structure of authorised capital

As of 31 December 2009 the Company's authorised capital amounted to LTL 342 000 000 and is divided into 342 000 000 ordinary shares at par value of 1 LTL each. All the shares are fully paid in. During 2009 there were no changes in the authorised capital.

AB Klaipėdos Nafta is a strategic enterprise according to the Law on the Enterprises having strategic importance for the national security of the Republic of Lithuania. More than ½ of the Company's shares carrying the right to vote shall belong to the State in these (strategic) enterprises. The major shareholder – the state, having control over 70,63 % of the total share capital of the Company, is represented by the Ministry of Energy of the Republic of Lithuania.

13. Information on agreements with securities public turnover mediators

The Company has signed an agreement with AB SEB Bankas (code: 112021238, address: Gedimino pr. 12, LT-01103 Vilnius) for servicing securities public turnover and related services.

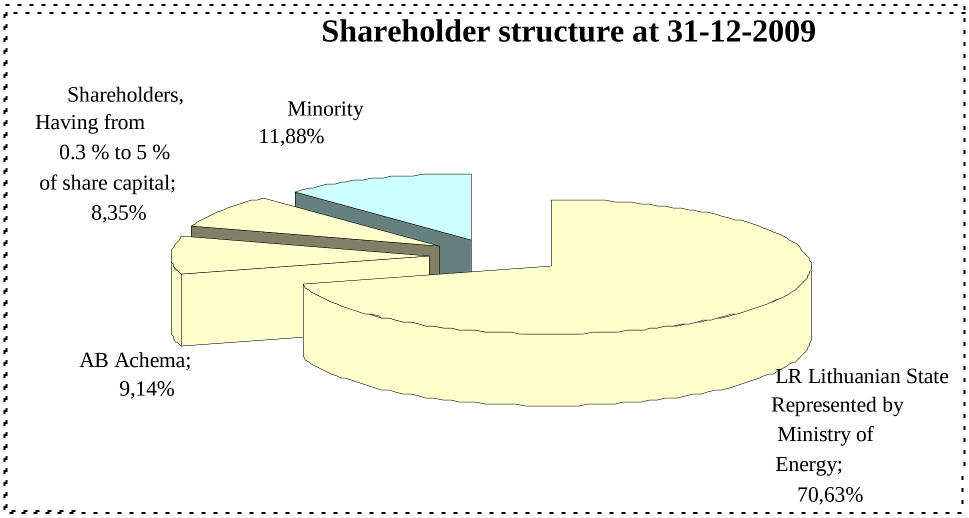
14. Information on purchased and disposed shares

During the accounting period the Company did not possess or acquire any own shares.

15. Shareholders and shares

The Company's shares are traded and listed in the Baltic additional trading list in the Stock Exchange AB NASDAQ OMX Vilnius (hereinafter – KNF1L).

As of 31 December 2009 the Company's shares were governed by 1 415 shareholders. The State of the Republic of Lithuania, represented by the Ministry of Energy, owns 70,63 % of shares (241 544 426 units).



The Company’s shares are the same class ordinary shares providing equal rights to their owners (shareholders).

An ordinary share grants the owners (shareholders) of the Company the following property rights:

1. to receive a share of the Company’s profit (dividends);
2. to receive the Company’s funds in case of capital decrease;
3. to receive a share of assets in case of the Company’s liquidation;
4. to receive shares free of charge when the Company’s share capital is increased from the Company's own funds (except for exceptions prescribed by imparrative norms of effective laws);
5. to acquire with pre-emption the Company’s shares and convertable bonds, except for the case when the qualified majority of votes (cannot be less than ¾ of the total voting rights) at general shareholders meeting takes a decision to recall acquisition by all shareholders of cetain emission shares or certain emission convertable bonds;
6. based on the law, to lend to the Company, however the Company, when borrowing from its shareholders, does not have the right to pledge its assets. Borrowings from the shareholder cannot bear an interest rate exceeding the average interest rate determined by the banks located in the business or residence area of the loan giver at the moment the loan agreement is signed. In such case, it is forbidden for the Company and the shareholders to agree regarding higher interest amount;
7. other property rights determined by legislation.

An ordinary share grants the owners (shareholders) of the Company the following non property rights:

1. to participate in general shareholders meetings and vote in accordance with rights depending on the number of shares (except for exceptions set by legislation);
2. to submit questions on the matters included in the agenda of the Company general shareholders meeting beforehand.
3. to be provided with information about the Company to the extent defined by legislation;
4. to raise a claim regarding coverage of damage made to the Company by its management and board members due to non fulfilment or improper fulfilment of their duties, determined by legislation and the Company’s articles of association, as well as in other cases;

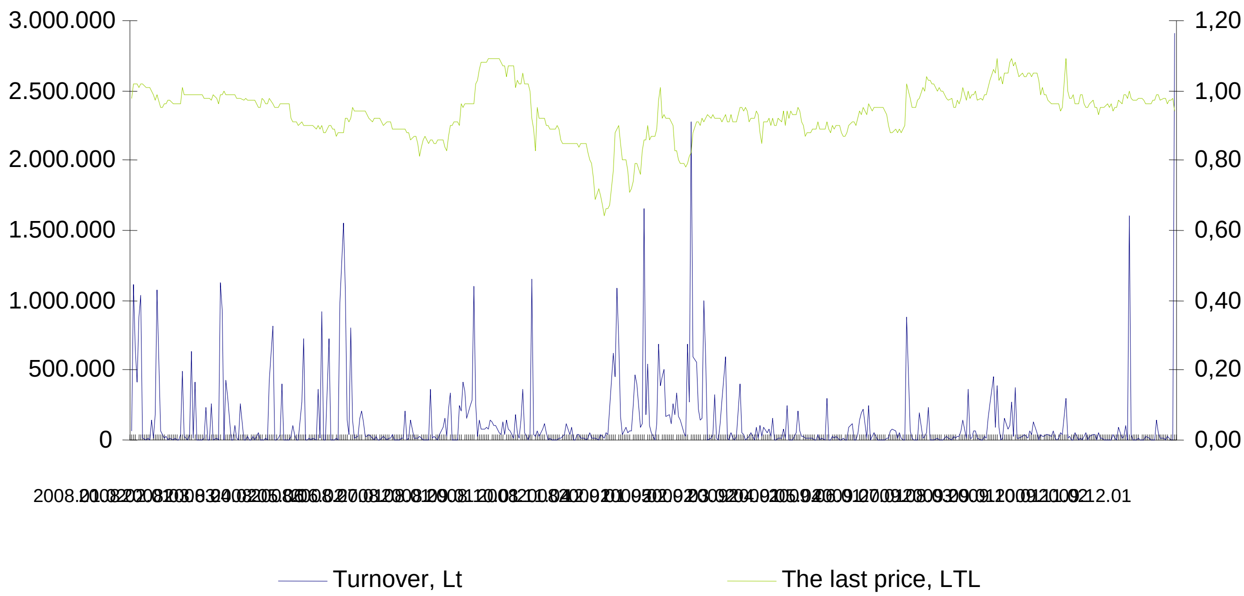
5. the right to vote at the general shareholders meetings can be suppressed or limited in cases prescribed by the legislation, and when property right to a share has been disputed;

6. other non property rights defined in legislation and the Company's articles of association.

Dynamics of the share price of AB Klaipėdos Nafta in 2009

Price per 1 share as of 2 January 2009	0,87 Lt
Highest price per 1 share during 2009	1,09 Lt
Lowest price per 1 share during 2009	0,78 Lt
Price per 1 share as of 30 December 2009	0,94 Lt

Price and turnover of AB Klaipėda Nafta shares during 2008-2009



16. Information on adherence to governance code

The Company discloses its adherence to the Governance Code and its specific provisions approved by AB NASDAQ OMX Vilnius for the companies listed on the regulated market in Appendix 1 to the Annual Report.

17. Mnagement of the Company

The Company's management structure includes:

- General shareholders meeting;
- Supervisory board (3 members elected every 4 years);
- Board (5 members elected every 4 years);
- Management.

The Company's observing body is a Supervisory Council, which elects the board members, observes the activity of the boatd and the management, makes decisions on other operational issues in the competence of the supervisory council. On 19 April 2007 the general shareholders meeting of AB Klaipėdos Nafta elected the following Supervisory Council for a 4 year tenure:

SIPERVISORY COUNCIL (as at 31 December 2009)

DOMINIKAS PEČIULIS – Chairman of the Supervisory Council. Chief specialist on Company law at the department of Company law and public purchases of the Ministry of Economy. Does not participate in management of nor holds any interests in other companies.

VANDA KRENIENĖ – member of Supervisory Council. Former employee of of the Ministry of Economy. Does not participate in management nor hold any interests in other companies.

No remuneration amounts have been paid, loans and guarantees issued, assets transferred to the members of the Company's Supervisory Council in 2009.

The governing bodies of the Company are: the board and the management – General Director. The board is elected by the Supervisory Council for the tenure period of 4 years. No limitations have been established on re-election of members. The Company's board is responsible for a proper strategic management of the Company. The board takes the major strategic decisions influencing increase of the shareholders' equity.

BOARD (2009 as at 31 December 2009)

ARNOLDAS BURKOVSKIS – Chairman of the board. Vice minister of Economy. Elected as the chairrman of the board as of 13 October 2009.

GEDIMINAS VAIČIŪNAS – member of the board. Former consultant on energy issues at the department of economy and finance of the Lithuanian Government. Elected as a board member on 6 June 2008.

KĘSTUTIS STRAIGIS - member of the board. Director of the department of industry, services and trade of the Ministry of Economy. Elected as a board member on 30 September 2009.

KĘSTUTIS JONAS MURAUSKAS – member of the board. Head of the department of industry, services and trade of the Ministry of Economy. Elected as a board member on 30 September 2009.

LAURENTINA GARBAUSKIENĖ - member of the board. Chief specialist on investments and property management at the department of investments and export of the Ministry of Economy. Does not participate in management of nor holds any interests in other companies. Elected as a board member on 4 Alril 2008.

In 2009 no remuneration amounts have been paid, loans and guarantees issued, assets transferred to the members of the members of the board. In 2009 the board convened 8 sittings, discussed and made decisions regarding increase and assurance of loading of oil products, the loading rates policy, financial results and other significant issues. On 19 February 2010 the Supervisory Board (minutes No.J2-1) elected the following members of the Company's board: Romas Švedas, ArvydąasDarulis, Vytautas Vazalinskas, Virgilijus Poderis, Arnoldas Burkovskis.

The Company is headed by the General Director, who is not a member of the board.

JURGIS AUŠRA – General Director aso f 11 February 2002. Education – Kaunas Polytechnical Institute, specialised in electro-engineering. As of 31 December 2009 held 111 100 shares of the Company. Does not participate in management of other companies.

JOHANA BUČIENĖ – Chied Financier. Education – Academy of Agriculture of Lithuania. The Chief Financier of the Company since 1994. As of 31 December 2009 held 20 000 shares of AB Klaipedos Nafta.

None of the members of the governing bodies of the Company have ever been convicted for crimes regarding property, management and finances.

18. Other information:

18.1. Procedure of changing Articles of Association

The activity of the Company is based on the Articles of Association, Civil Code and other laws and sub legislative acts of the Republic of Lithuania. Changes in the Articles of Association are made by general shareholders meeting.

18.2. Transactions with related parties

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. Information regarding transactions with related Parties is presented in "The Company's financial statements for the year 2009, prepared in accordance with International Accounting Standards as adopted by the European Union presented together with the Independent Auditor's Report".

19. Details on publicly available information

Pursuant to Lithuanian legislation, all material events related to the Company's activity and information on time and place of the general shareholders meetings are announced on the Company's internet site www.oil.lt., the daily "Respublika", are presented to the news agency BNS, the Stock Exchange of AB NASDAQ OMX Vilnius and Securities Commission of the Republic of Lithuania.

In 2009, the Company made 22 official announcements on important events and presented other information on the internet site of AB NASDAQ OMX Vilnius www.nasdaqomxbaltic.com.

General Director Jurgis Aušra

Annex 1
to the Annual Report for 2008 of AB Klaipėdos Nafta

DISCLOSURE CONCERNING THE COMPLIANCE OF AB KLAIPĖDOS NAFTA, LISTED ON REGULATED MARKET, WITH THE GOVERNANCE CODE

AB Klaipėdos Nafta following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the AB NASDAQ OMX Vilnius discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES / RECOMMENDATIONS	Yes / No Not applicable	COMMENTARY
I principas: **Pagrindinės nuostatos** **Principle I**: **Basic Provisions** **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The development strategy and objectives of AB KLAIPĖDOS NAFTA have been set up in its internal documents (Annual Report placed publicly on the website of AB NASDAQ OMX Vilnius) according to the separate directions and objectives of its activities. The Company updates its development plans subject to the situation on the market as well as to the changes in the regulatory environment.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board of the Company adopts the main strategic resolutions, influencing optimization of the shareholder value (separation of the functions of Company's operation, establishment of subsidiaries, other actions optimizing effectiveness of the Company's operation and its profit).
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board, the Board of the Company and the Chief Executive Officer implement this recommendation.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	Bendrovės organai gerbia bendrovės veikloje The Company's bodies respect the rights and interests of the persons participating in or connected with the Company's operation: 1. Employees – since its establishment the Company has been cooperating and performing social partnership with the representatives of its employees (the Board of the Company by its resolutions assigns additional means for the execution of the Collective Agreement and extra stimulation of the employees, etc.). 2. Creditors - the Company takes on and fulfils its financial and other obligations in accordance with the borrowing program approved by the Board of the Company. 3. Other persons – by the resolution of the shareholders' meeting part of the Company's profit is dedicated to support (social, art, cultural, sports activities, etc.).

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company has set up a collegial supervisory body - the Supervisory Board and a collegial management body - the Board of the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Supervisory Board of the Company is responsible for the effective supervision of the activities of the Company's management bodies (it elects and recalls members of the Board; should the Company operate in the red it should discuss fitness of the members for the position; it supervises the activities of the Board and the Chief Executive Officer; submits proposals and comments to the general shareholders' meeting regarding the strategy of the Company's operation, the activities of the Board and the Chief Executive Officer; performs other activities attributed to it by the laws and other legal acts). The Board of the Company is responsible for the effective strategic management of the Company (approves the strategy of its operation; adopts the most relevant resolutions provided for by the legal acts regarding corporate governance framework, transactions, different commitments, etc.).
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The Company has set up a collegial supervisory body - the Supervisory Board and a collegial management body - the Board of the Company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	Taking into account the specific character of the Company's operation, it is strictly regulated by the legal acts and supervised by the respective state institutions. Therefore in the process of decision-making by the bodies of the Company the transparency of the decision-making, their effectiveness is ensured; the principles of non-discrimination of the Company's clients, of costs-reduction and other principles are realized. The Company does not follow the regulations regarding formation of committees as prescribed in III and IV principles.

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of the Company is comprised of five members. The Supervisory Board is elected of three members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The members of the Supervisory Board are elected for the maximum term of four years provided for in the Law on Companies of the Republic of Lithuania. There are no limitations for re-election of the members.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chief Executive Officer of the Company is not a member of its Board. The Chairman of the Supervisory Board and the members has neither been the members of the Board of the Company nor the Chief Executive Officer.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The collegial body of the Company is elected following the order established by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about the candidates to become members of a collegial body is presented before the general shareholders' meeting.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	No	We will seek to realize it in future.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	No	The collegial body ensures that its members are competent however periodic evaluation is not performed.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	The members of the collegial body are regularly informed at its meetings and individually if required about the Company's operation and its changes, about the essential changes of the legal acts, regulating the Company's operation, and of other circumstances influencing its operation. Up to now there has been neither need nor practice in the Company to offer a tailored program focused on introducing all new members of the Supervisory Board with their duties, corporate organization and activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Up to now the independence of the elective members of the collegial body has not been evaluated and the content of the notion sufficiency of independent members has not been discussed. Since over 70 per cent of the Company's shares are owned by the State represented by the Ministry of Economy of the Republic of Lithuania, the major part of the members of the Supervisory Board are elected by the general shareholders' meeting taking into account interests of the controlling shareholder in one or another way.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);	Yes	The criteria of independence of the collegial bodies have not been determined in the documents of the operation of the Company's collegial bodies. However taking into consideration the presented criteria it is possible to state that the members of the Company's Supervisory Board meet all the criteria of independence evaluation except item 4.

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Not applicable	

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company has not yet applied in practice disclosure of the criteria of independence set out in the Code (See item 3.6).
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	Up to now the Company has not applied practice of evaluation and disclosure of independence of the members of the collegial body.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	The members of the collegial body are not remunerated from the Company's funds for their participation in the meetings.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	According to the information available to the Company all the members of the collegial body act in good faith for the benefit and in the interests of the Company but not in their own or third parties' interests seeking to maintain their independence in decision-making.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their	Yes	According to the information available to the Company all the members of the collegial body act in good faith for the benefit and in the interests of the Company but not in their own or third parties' interests seeking to maintain their independence in decision-making.

independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).		
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified	Yes	The members of the collegial body duly perform their functions: they actively attend the meetings and devote sufficient time to perform their duties as members of the collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company follows the stated recommendations. The members of the collegial body before making decisions, the criteria of which have been determined in the Articles of Association of the Company, discuss their possible effect on the shareholders. The information of the shareholders is only in accordance with the legal acts.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	The Company's Articles of Association as well as the Rules and Regulations of the Company's Board do not provide for the approval of such transactions by the Supervisory Board. Following the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company major transactions shall be approved by the Company's Board.

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	No	The Company's collegial bodies are provided with all the necessary financial conditions for their work and are independent of the Company's Management.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: it regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: it regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The committees are not established, except for audit committee, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

4.13. Atlyginimų komitetas. 4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;	No	The committees are not established, except for audit committee, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3)Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company , and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's	Yes	The committee will be formed in the general shareholders meeting upon election opf the new Supervisory board.

disclosed *inter alia* data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organisations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.		

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved..		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organisation and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organisation and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The internal documents of the Company do not provide for a separate assessment of the collegial body's activities because it was not required by the legal acts of the Republic of Lithuania. Decisions on the Company's activities are made by the Board of the Company which reports to the shareholders' meeting.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	A collegial body of supervision - the Supervisory Board and a collegial body of management - the Board implement this provision in the Company.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The meetings of the Company's Supervisory Board are convened at least once in a quarter and the meetings of the Company's Board are carried out according to the schedule approved by the Board.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company observes provisions stated in this recommendation.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Company observes provisions stated in this recommendation.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company observes provisions stated in this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarise with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	According to the Law on Companies of the Republic of Lithuania and Articles of Association important transactions are approved by the Board., and also in cases prescribed by the law an approval of the general shareholders meeting is received.

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	All the shareholders of the Company are informed about the venue, date and time of the general shareholders' meeting. Prior to the general shareholders' meeting all the shareholders of the Company are furnished with opportunity to receive information on the issues on the agenda of the general shareholders' meeting.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarise with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company discloses the documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, through the information disclosure system of the Vilnius Stock Exchange and it is planned to place them constantly on the website of the Company.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company can implement their right to participate at the shareholders' meeting both in person and through a representative should he be duly authorised. The Company also furnishes its shareholders with the opportunity to vote by completing the general voting ballot.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Not applicable	Taking into account the structure of the shareholders and the valid regulations for organisation of the shareholders' meeting there is no necessity to additionally install costly system of IT.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the Company's supervisory and management bodies have been acting in such a manner so as to avoid conflict of interests. Therefore such conflicts have never occurred in practice. The provision regarding notification will be implemented in a more detailed manner by specifying it in the local acts of the Company.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorised by the meeting.	Yes	The members of the Company's supervisory and management bodies have been acting in such a manner so as to avoid conflict of interests. Therefore such conflicts have never occurred in practice.

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Not applicable	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the Company's Board have been familiarised with these provisions and they must observe these recommendations.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company has not made any public statement of its remuneration policy during the year under review because it was not foreseen by the legal acts of the Republic of Lithuania. The Company's remuneration policy is determined by analysing situation on Lithuanian labour market.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Refer to the comment in item 8.1 above.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	Refer to the comment in item 8.1 above.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, *inter alia*, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Refer to the comment in item 8.1 above.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Refer to the comment in item 8.1 above.

8.6. Without prejudice to the role and organisation of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Refer to the comment in item 8.1 above.
.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the 1-5 points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year.	Ne	Komentaras pateiktas aukščiau 8.1 punkte.

8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	8.8.-8.12. Bendrovė ataskaitiniais metais netaikė 8.8. – 8.12. During the year under review the Company has not applied any schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements. This has not been provided for by the existing remuneration procedure and employment contracts with directors and other employees.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	Refer to the comment in item 8.8 above.

8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarise with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognise the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The execution of this recommendation is ensured by the accurate supervision and control of the state institutions and organisations regulating the Company’s activities. The publicity of the Company’s activities creates conditions for the stakeholders to participate in corporate governance in the manner prescribed by law, by the Articles of Association and the Collective Agreement. The management bodies consult with the employees on corporate governance and other important issues, employee participation in the Company’s share capital is not limited.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional	Yes	performance and corporate governance is regularly disclosed by distributing press releases and notifying about material events, in presentations. The documents are published in Lithuanian and English on the publicly accessible website of the Vilnius Stock Exchange. The Company prepares financial statements according to the International Financial Accounting standards.

background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company discloses information in Lithuanian and English simultaneously through the information disclosure system of the Vilnius Stock Exchange so that the submitted information could simultaneously be announced thus guaranteeing its simultaneous dissemination to everybody.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company discloses information in Lithuanian and English simultaneously through the information disclosure system of the Vilnius Stock Exchange so that the submitted information could simultaneously be announced thus guaranteeing its simultaneous dissemination to everybody and it is planned to constantly place the information on the Company's website.

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company takes into account this recommendation and places the information on the Company's website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Company observes this recommendation when an independent firm of auditors conducts an audit of the Company's annual financial statements and report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	The Company's Board proposes a candidate firm of auditors to the general shareholders' meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The firm of auditors is not paid by the Company for consultations on tax and business issues.