MAŽEIKIŲ NAFTA AB
U.S. GAAP
Interim Condensed Consolidated Financial Statements
(expressed in US dollars)
March 31, 2004

MAŽEIKIŲ NAFTA AB

Interim Condensed Consolidated Balance Sheets (UNAUDITED)

(Expressed in thousands of U.S. Dollars, except as indicated)

	Note	March 31, 2004	December 31, 2003
Assets			
Cash and cash equivalents, net	3	140,068	107,664
Current portion of restricted cash	4	3,528	976
Trade accounts receivable, net	5	24,437	52,457
Accounts receivable from related parties, net	22	45,537	36,355
Inventories	6	138,449	117,397
Other current assets, net	7	13,731	12,322
Current portion of deferred income tax asset (net of valuation allowance of USD 868 thousand and USD 320 thousand at March 31, 2004 and December 31, 2003 respectively)	16	309	857
Total current assets		366,059	328,028
Non-current portion of restricted cash	4	16,885	23,715
Equity investees and long-term investments at cost (net of accumulated impairment of USD 2,267 thousand and USD 2,267 thousand at March 31, 2004 and December 31, 2003 respectively)		1,528	1,585
Property, plant and equipment, net	8	525,505	530,279
Intangible assets, net	9	3,460	2,620
Non-current accounts receivable (net of allowance for doubtful accounts of USD 1,942 thousand and USD 2,036 thousand at March 31, 2004 and December 31, 2003 respectively)		6,613	7,477
Non-current portion of deferred income tax asset (net of valuation allowance of USD 24,257 thousand and USD 26,192 thousand at March 31, 2004 and December 31, 2003 respectively)	16	22	24
Total assets	21	920,072	893,728
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	15	14,258	12,068
Current portion of capital lease liabilities	14	359	392
Trade accounts payable	10	27,183	29,754
Accounts payable to/advances received from related parties	22	162,885	150,327
Advances received	11	2,613	3,136
Taxes payable	12	12,568	32,779
Other current liabilities	13	13,114	12,172
Total current liabilities		232,980	240,628
Long-term debt, net of current maturities	15	472,707	475,636
Capital lease liabilities, net of current maturities	14	600	692
Subsidies		4,999	5,010
Non-current portion of deferred income tax liability	16	309	309
Total liabilities		711,595	722,275
Minority interest		811	906
Ordinary shares (707,454,130 authorized and issued at March 31,2004 and December 31,2003; nominal value – LTL 1 per share)		181,366	181,366
Additional paid in capital		87,613	87,613
Revaluation reserve		109	109
Accumulated other comprehensive income		2,485	3,298
Accumulated deficit		(63,907)	(101,839)
Total shareholders' equity		207,666	170,547
Commitments and contingent liabilities	20	-	-
Total liabilities and shareholders' equity		920,072	893,728

Paul Nelson English	Vita Petrošienė
General Director	Chief Financial Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements

	Notes	Three months period ended March 31, 2004	2003
Sales and other operating revenues*	21	552,716	440,116
Operating costs and other deductions			
Cost of sales, excluding depreciation and amortization		(439,824)	(356,300)
Selling and distribution expenses, excluding depreciation and amortization		(43,580)	(22,012)
General and administrative expenses, excluding depreciation and amortization		(13,015)	(11,550)
Depreciation and amortization	21	(9,692)	(7,862)
Total operating costs and other deductions		(506,111)	(397,724)
Other expenses			
Loss from equity affiliates		(19)	(22)
Interest income	21	410	398
Interest expense	21	(7,033)	(11,553)
Exchange (loss) gain, net		(1,535)	4,680
Other expenses, net		(25)	(102)
Total other expenses, net		(8,202)	(6,599)
Income before income tax and minority interest		38,403	35,793
Income tax			
Current income tax expense		-	-
Deferred income tax expense		(550)	-
Total income tax expense, net	16	(550)	-
Income before minority interest		37,853	35,793
Minority interest		79	159
Net income		37,932	35,952
Earnings per share (USD per share)			
Basic		0.05	0.05
Diluted		0.04	0.05
Weighted-average shares outstanding (thousands of shares)			
Basic		707,454	707,454
Diluted	17	979,560	784,822
* excludes excise taxes on sold refined oil products		54,453	34,102

The accompanying notes are an integral part of these interim condensed consolidated financial statements

(Expressed in thousand of U.S. Dollars, except as indicated)

	Notes	Three months ended March 31, 2004	2003
Operating activities			
Net income		37,932	35,952
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization		9,692	7,862
Equity in losses of associates		19	22
Minority interest		(79)	(159)
Loss on sales and retirements of property, plant and equipment and intangible assets		1,019	371
Discounting of long-term receivables		(85)	-
Changes in operating assets and liabilities:			
Trade accounts receivable and accounts receivable from related parties		21,193	33,532
Inventories		(20,365)	(43,706)
Other current assets		(2,998)	(12,372)
Trade accounts payable and accounts payable to related parties		10,310	(2,592)
Taxes payable, advances and other current liabilities		(20,384)	(21,785)
Net cash generated from (used for) operating activities		36,254	(2,875)
Investing activities			
Additions to property, plant and equipment and intangible assets		(7,315)	(14,662)
Proceeds from sales of property, plant and equipment		8	594
Distributions from investees		-	34
Net cash used for investing activities		(7,307)	(14,034)
Financing activities			
Net proceeds from/(repayments of) short-term debt		2,282	(15,244)
Repayments of long-term debt		(2,975)	(2,904)
Proceeds from long-term loans		-	1,841
Principal payments of capital lease obligations		(94)	(171)
Change in long-term accounts receivable		69	-
Distribution to minority		-	-
Net cash used for financing activities		(718)	(16,478)
Effect of foreign exchange on cash balances		(103)	(91)
Net change in cash and cash equivalents		28,126	(33,478)
Cash and cash equivalents at beginning of period	3	107,664	48,113
Change in restricted cash	4	4,278	8,938
Cash and cash equivalents at end of period	3	140,068	23,573

	Number of ordinary shares issued (thousand)	Ordinary shares	Additional paid in capital	Revaluation reserve	Accumulated other comprehensive income	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2002	707,454	181,366	87,613	109	1,378	(173,801)	96,665
Net income for the year	-	-	-	-	-	71,962	71,962
Other comprehensive income, net of tax	-	-	-	-	1,920	-	1,920
Balance at December 31, 2003	707,454	181,366	87,613	109	3,298	(101,839)	170,547
Net income for the period	-	-	-	-	-	37,932	37,932
Other comprehensive loss, net of tax	-	-	-	-	(813)	-	(813)
Balance at March 31, 2004	707,454	181,366	87,613	109	2,485	(63,907)	207,666

Comprehensive income for the three-month period ended March 31, 2004 and 2003 was as follows:

	Notes	Three months ended March 31, 2004	2003
Net income		37,932	35,952
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment		(368)	206
Unrealized loss on cash flow hedge	19	(445)	(2,411)
Total comprehensive income		37,119	33,747

Note 1: Nature of Business

Mažeikių Nafta AB (hereinafter - the Company) was originally established in 1980 to refine crude oil and market refined oil products. On April 7, 1995 the Company was reorganized into a public company following a partial privatization by the Company's employees. In 1998, the Company merged with Būtingės Nafta AB, an oil terminal operator, and Naftotiekis AB, a pipeline operator. In 2002, the Company acquired 85 percent of the share capital of Uotas UAB, which included an 81 percent interest in Ventus Nafta AB. In 2003, the remaining 15 percent of share capital in Uotas UAB was acquired. Both companies are engaged in the refined oil products retail business. In May 2003, the Company established a wholly owned subsidiary Mažeikių Nafta Trading House UAB to act as a sales commissioner in Lithuania. Subsidiaries of Mažeikių Nafta Trading House UAB are also engaged in wholesale of refined oil products in Latvia, Estonia and Poland.

The Company's two primary shareholders are Yukos Finance B.V. (part of YUKOS) with 53.7 percent and the Government of the Republic of Lithuania with 40.7 percent of shares. The remaining shares are widely held.

According to the Investment Agreement Yukos Finance B.V. provides management services to the Company.

Current situation within YUKOS. The former Chairman of the Board of Directors of Mazeikiu Nafta AB is a significant shareholder of YUKOS. Beginning in 2003, he together with other significant shareholders have been subjected to a series of charges by the Russian tax authorities and the Russian general prosecutor including corporate tax evasion, fraud, personal tax evasion and forgery. All individuals named in the allegations have resigned from their positions in YUKOS and its subsidiaries. Two of the majority shareholders, including the former Chairman of the Executive Committee of YUKOS' Board of Directors, have been incarcerated pending trial.

Based on discussions with management of YUKOS, the Company does not believe that the actions by the Russian government against various YUKOS shareholders should have a material adverse impact on the Company.

During the same time period that charges were brought against individual shareholders of YUKOS, the Russian tax authorities submitted a preliminary finding that YUKOS underpaid USD 3.3 billion in taxes, including penalties and interest, for the year 2000 which YUKOS has objected to. Despite these objections, on April 14, 2004 the tax authorities issued a resolution requiring YUKOS to pay the claimed amounts. Additionally, in order to secure the tax claim the tax authorities obtained a court ruling prohibiting YUKOS from disposing or encumbering its assets. The Russian tax authorities are currently expanding their tax audits to include the fiscal year 2001. YUKOS has also been subjected to numerous compliance reviews of its oil and gas licenses by federal and regional governmental agencies. Although YUKOS has not received final license compliance reports for all of its subsidiaries, certain subsidiaries have been cited for non-compliance.

YUKOS' management have informed the Company that the charges of underpayment of taxes are without merit and that it intends vigorously to defend its position. Further, YUKOS management has informed the Company that it believes the resolution of the license compliance issues will not result in the revocation of any of its licenses. However, since there is a risk that YUKOS may be required to pay significant additional taxes or incur penalties relating to non-compliance with license terms, such events could have a material adverse affect on the financial position and operations of YUKOS and its subsidiaries, including Mazeikiu Nafta AB.

As further disclosed in Note 22 to the financial statements, the Company is currently dependent on YUKOS for a large part of its supply of crude oil. Management of the Company believes that should YUKOS lose a substantial portion of its licenses it could still supply the Company's crude oil requirement. Furthermore, the management of the Company, with significant assistance from YUKOS, is seeking to reduce this dependence.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 2: Basis of preparation

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Mažeikių Nafta AB consolidated financial statements as of and for the year ended December 31, 2003. The year-end condensed consolidated balance sheet data has been derived from these audited financial statements, but since it is presented on a condensed basis it does not include all the disclosures required by the accounting principles generally accepted in the United States of America for annual financial statements.

In the opinion of the Company's management, the information furnished herein reflects all known accruals and adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the periods reported herein. All such adjustments are of a normal recurring nature.

Management's use of estimations. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Reporting and functional currencies. The functional currency of the Company is US Dollar (USD). The functional currencies of the Company's subsidiaries are official currencies of the countries in which subsidiaries operate. The financial statements of the subsidiaries were translated to US Dollars, the reporting currency of the Company, in accordance with the relevant provisions of SFAS No. 52, *Foreign Currency Translation.*

Currency controls. Until January 31, 2002 the exchange rate of the Lithuanian Litas (LTL) was fixed to the US Dollar (USD) at a rate of 4 LTL=1 USD. From February 1, 2002 Lithuania repegged the Lithuanian Litas to the Euro at the rate of 3.4528 LTL=1 Euro.

Currency exchange rates. The following summarizes the end of period exchange rates of Lithuanian Litas (LTL) to US Dollar (USD) for the dates presented:

LTL per USD	2004	2003
December 31,	-	2.7621
September 30,	-	3.0133
June 30,	-	3.0196
March 31,	2.8307	3.2287

Reclassification. Certain reclassifications have been made to previously reported balances to conform to the current year's presentation; such reclassifications have no effect on net income and shareholders' equity.

Recent accounting pronouncements. Effective January 1, 2003, the Company adopted SFAS No. 143, *Accounting for Assets Retirement Obligations,* which addresses the accounting and reporting requirements for legal obligations associated with the retirement of long-lived assets. This standard requires that a liability for an asset retirement obligation, measured at fair value, be recognized in the period in which it is incurred if a reasonable estimate of fair value is determinable. That initial fair value is capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated. The liability is adjusted each reporting period for accretion, with a charge to the statement of income. Management of the Company is not aware of any assets retirement obligations of the Company.

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The measurement and initial recognition provisions of FIN 45 are effective for guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of periods ending after December 15, 2002. The Company has adopted the recognition provisions in the first quarter 2003 with no impact on its consolidated financial condition, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities,* an interpretation of ARB No. 51. This interpretation clarifies consolidation requirements for variable interest entities. It establishes additional factors beyond ownership of a majority voting interest to indicate that a company has a controlling financial interest in an entity (or a relationship sufficiently similar to a controlling financial interest that it requires consolidation). This interpretation applies immediately to variable interest entities created or obtained after January 31, 2003 and must be retroactively applied to holdings in variable interest entities acquired before February 1, 2003 in interim and annual financial statements issued for periods beginning after June 15, 2003. The adoption of this interpretation did not have an impact on consolidated financial condition, results of operations or cash flows of the Company.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 affects how an entity measures and reports financial instruments that have characteristics of both liabilities and equity, and is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on consolidated financial condition, results of operations or cash flows of the Company.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 3: Cash and cash equivalents, net

	March 31, 2004	December 31, 2003
Short-term bank deposits	126,349	106,069
Cash in banks	21,336	9,256
Cash on hand	44	14
Total cash and cash equivalents	147,729	115,339
Less: allowance for cash held in Litimpeks Bank	(4,575)	(4,589)
allowance for cash held in Vneshekonombank	(3,086)	(3,086)
Total cash and cash equivalents, net	140,068	107,664

As of March 31, 2004, the weighted average effective annual interest rate on short-term bank deposits was 1.22 percent (December 31, 2003: 1.47 percent).

An allowance was formed for the deposit of USD 3,086 thousand (December 31, 2003: USD 3,086 thousand) frozen in the Russian bank Vneshekonombank. Negotiations are being held between the governments of the Republic of Lithuania and the Russian Federation regarding the settlement of the balances held with Vneshekonombank by Lithuanian entities. The management of the Company does not expect that the above-mentioned amount will be recovered, therefore, a provision for whole amount has been recorded.

Liquidation procedures of Litimpeks Bank have been finished and there have been no payouts to creditors. Therefore, the Company decided to establish an allowance for whole amount of the multicurrency deposit held with Litimpeks Bank.

Note 4: Restricted cash

	March 31, 2004	December 31, 2003
Non-current portion of restricted cash	16,885	23,715
Current portion of restricted cash	3,528	976
Total restricted cash	20,413	24,691

Restricted cash in the amount of USD 16,721 thousand (December 31, 2003: USD 23,546 thousand) was received from Yukos Oil Company under a loan agreement. These funds can be used only for financing of the oil refinery modernization project. In July 2003, this loan was refinanced by Vilniaus Bankas AB.

As security for assets acquired under capital lease agreements concluded in 2003, the Company made an interest free-deposit of PLZ 635 thousand (equivalent of USD 164 thousand as of March 31, 2004) which was paid into the lessor's bank account. According to the agreements, deposits are to be returned after the Company pays all leasing installments in 2006 – 2007, however, management of the Company intends to refinance unfavorable leasing agreements and take back the deposited cash in 2004.

Cash in certain bank accounts to a total amount of LTL 7,500 thousand (equivalent to USD 2,649 thousand as of March 31, 2004) has been pledged as security for a guarantee provided by Hansabank bank. The guarantee expires as of January 29, 2005.

The remaining balance of restricted cash of USD 879 thousand (December 31, 2003: USD 976 thousand) is required to be maintained under the terms of letters of credit issued for settlements with suppliers.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 5: Trade accounts receivable, net

	March 31, 2004	December 31, 2003
Oil refinery	39,011	67,716
Oil terminal	2,253	921
Retail network operators	764	739
Pipeline operator	21	806
Non-production units	9	13
Total gross trade accounts receivable	42,058	70,195
Less: provision for doubtful trade accounts receivable	(17,621)	(17,738)
Total trade accounts receivable, net	24,437	52,457

Note 6: Inventories

	March 31, 2004	December 31, 2003
Finished goods and goods for resale	86,219	66,411
Spare parts and other	22,623	20,863
Raw and supplementary materials	18,042	20,120
Semi-manufactures	11,505	9,959
Assets held for resale	60	44
Total inventories	138,449	117,397

Semi-manufactures include oil products that are produced by the oil refinery and used in further stages of production. However, these products might also be sold in the market.

Due to the nature of spare parts for machinery and equipment not all of them are expected to be utilized within one year period.

Note 7: Other current assets, net

	March 31, 2004	December 31, 2003
Prepaid and recoverable taxes	8,331	3,927
Accrued income and deferred expenses	3,639	6,754
Advances to suppliers (net of allowances for doubtful accounts of USD 518 thousand and USD 503 thousand at March 31, 2004 and December 31, 2003 respectively)	1,415	1,206
Other current assets (net of allowances for doubtful accounts of USD 1,353 thousand and USD 1,208 thousand at March 31, 2004 and December 31, 2003 respectively)	346	435
Total other current assets, net	13,731	12,322

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 8: Property, plant and equipment, net

	March 31, 2004	December 31, 2003
Machinery and equipment	622,873	621,725
Buildings	89,366	88,339
Other tangible assets	86,302	84,283
Construction in progress and prepayments	55,910	51,771
Pipeline fill	8,531	8,326
Total property, plant and equipment at cost	862,982	854,444
Less: accumulated depreciation	(337,477)	(324,165)
Total property, plant and equipment, net	525,505	530,279

Pipeline fill represents oil in the oil terminal’s pipes and reservoirs. This volume of oil is required for the operation of the terminal equipment and cannot be extracted under normal operations. It is carried at cost and is not depreciated.

Interest capitalised amounted to USD 52 thousand during the three-month period ended March 31, 2004 (March 31, 2003: none).

Note 9: Intangible assets, net

	March 31, 2004	December 31, 2003
Patents and licenses	5,906	5,843
Prepayments for patents and licenses	2,098	1,229
Total intangible assets at cost	8,004	7,072
Less: accumulated amortization	(4,544)	(4,452)
Total intangible assets, net	3,460	2,620

Patents and licenses include acquired patents and costs of manufacturing technology used by the refinery.

Note 10: Trade accounts payable

	March 31, 2004	December 31, 2003
Oil refinery	25,807	27,293
Retail network operator	722	854
Oil terminal	445	1,372
Pipeline operator	159	193
Non-production units	50	42
Total trade accounts payable	27,183	29,754

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 11: Advances received

	March 31, 2004	December 31, 2003
Pipeline operator	1,254	213
Oil refinery	1,188	2,593
Retail network operator	101	100
Oil terminal	57	215
Non-production units	13	15
Total advances received	2,613	3,136

Note 12: Taxes payable

	March 31, 2004	December 31, 2003
VAT payables	6,096	14,019
Profit tax	3,387	3,381
Natural persons income tax payable	1,254	1,006
Real estate	919	893
Excise tax	291	12,638
Other taxes	621	842
Total taxes payable	12,568	32,779

Note 13: Other current liabilities

	Note	March 31, 2004	December 31, 2003
Salaries and social security		3,736	3,620
Accrued claims from Oil terminal contractors		2,900	2,900
Accrued vacation pay		2,522	1,882
Accrued interest		548	666
Fixed price swap	19	445	-
Accrued professional fees		97	307
Other accrued expenses and short-term liabilities		2,866	2,797
Total other current liabilities		13,114	12,172

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 14: Capital lease liabilities

Capital lease liabilities – minimum lease payments can be analyzed as follows:

	March 31, 2004	December 31, 2003
Not later than 1 year	420	463
Later than 1 year and not later than 2 years	402	414
Later than 2 year and not later than 3 years	237	335
Later than 3 year and not later than 4 years	1	10
Net minimum lease payments	1,060	1,222
Less: Future finance charges on capital leases	(101)	(138)
Present value of capital lease liabilities	959	1,084

As of March 31, 2004 the weighted average effective annual interest rate on the capital lease liabilities was 7.4 percent (December 31, 2003: 7.7 percent).

The present value of capital lease liabilities is as follows:

	March 31, 2004	December 31, 2003
Current portion of capital lease liabilities	359	392
Capital lease liabilities, net of current maturities	600	692
Present value of capital lease liabilities	959	1,084

Note 15: Debt

	March 31, 2004	December 31, 2003
Long-term debt	484,563	487,541
Current portion of long-term debt	(11,856)	(11,905)
Non-current portion of long-term debt	472,707	475,636
Current portion of long-term debt	11,856	11,905
Overdraft	2,402	163
Total short-term debt and current portion of long-term debt	14,258	12,068

In February 2004 the Company signed an overdraft agreement for PLN 30 million (equivalent to USD 7,729 thousand as of March 31, 2004) with Nordea Bank Polska. Annual interest rate is 5.5 percent on the amount drawn down. The agreement expires in February 2005. As of March 31, 2004 the amount withdrawn amounted to PLN 9,282 thousand (equivalent to USD 2,391 thousand as of March 31, 2004).

In February 2004 the Company signed an overdraft for EEK 12.5 million (equivalent to USD 977 thousand as of March 31, 2004) with Hansapank. Annual interest rate is 5.5 percent on the amount drawn down. The agreement expires in August 2004. As of March 31, 2004 the amount withdrawn amounted to EEK 138 thousand (equivalent to USD 11 thousand as of March 31, 2004).

(Expressed in U.S. Dollars (tabular amounts in thousands))

Balance of long-term borrowings can be further analyzed as follows:

Lender/Purpose	Repayment terms	Annual interest rate	Maturity date (mm/yy)	Loan amount	Balance as of March 31,2004
Working capital finance					
Government of Lithuania	Semi-annually	7.00%	07/13	323,928	288,927
Vilniaus Bankas AB	Semi-annually	3 months LIBOR +1.100%	07/13	75,000	75,000
Investment program					
Vilniaus Bankas AB	Semi-annually	3 months LIBOR +1.100%	07/13	75,000	75,000
Investment in oil terminal					
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +1.750%	06/04	1,277	106
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +1.875%	06/04	1,473	124
Kreditanstalt fur Wiederaufbau	Semi-annually	7.160%	09/04	406	33
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	06/06	7,235	2,262
Kreditanstalt fur Wiederaufbau	Semi-annually	8.065%	09/06	2,444	764
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	4,294	994
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	11,855	3,762
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	17,395	5,178
Hansabankas AB	Semi-annually	6 months LIBOR +0.900%	01/09	50,000	26,316
Petrol stations					
Neon Corporation	Monthly	10.000%	09/04	636	106
Karina International Ltd.	Monthly	9.000%	05/05	400	280
Bankas Snoras AB	Monthly	7.000%	05/08	6,411	5,690
Trading houses					
Nordea Bank Finland Plc	Monthly	3.900%	12/06	24	21
Less: current portion of long-term debt					(11,856)
Total long term debt					472,707

As from the end of March 2004, according to the loan agreement with the Government of Lithuania, the annual interest rate on the loan was changed from 8 percent to 7 percent.

Loans granted by Vilniaus Bankas AB, Hansabankas AB and Kreditanstalt fur Wiederaufbau are guaranteed by the Government of the Republic of Lithuania.

The bank borrowings of petrol stations are secured over certain of the property, plant and equipment with net book value of approx. USD 16,989 thousand as of March 31, 2004 (December 31, 2003: USD 17,164 thousand).

(Expressed in U.S. Dollars (tabular amounts in thousands))

Scheduled maturity of long-term borrowings is as follows:

	2004	2005	2006	2007	2008	Later	Total
Principal amount of debt	8,942	11,409	9,826	6,873	5,954	441,559	484,563

The amounts payable in 2009 – 2013 include repayment of the loans granted by Government of Lithuania and Vilniaus Bankas AB (former loans of Yukos International UK B.V. and Yukos Oil Company).

The debt outstanding as of March 31, 2004 was subject to a number of covenants, such as exclusive use of the loans and restricted management ability to pledge, mortgage or sell the assets, the acquisition of which was financed by loans throughout the duration of the loan agreements without the lenders' approval. The management believes that the Company has complied with these covenants.

Uotas UAB, a subsidiary of the Company, has a loan of USD 280 thousand granted by Karina International Ltd. (USA) with maturity on May 31, 2005. According to the loan agreement, one month before reimbursement due date Karina International Ltd or a person/company nominated by the lender has an option to convert the loan or a portion of loan into Uotas UAB share capital at today's price. In case this option is exercised, the Company's share in Uotas UAB will decrease.

Note 16: Income tax

In 2003, the Company resumed its modernization program which includes significant investments in property, plant and equipment during 2004 – 2009 in order to meet more stringent quality requirements for gasoline and diesel, more stringent environmental requirements, to improve logistics and product handling and to increase efficiency. According to management plans, part of these investments will be financed from the Company's operating cash flows and this will enable the Company to avoid income tax expenses during 2004 – 2009 applying investment credit following the terms of Investment Agreement. Therefore, the effective tax rate for the three-month period ended March 31, 2004 was zero percent.

The Investment Agreement signed on October 29, 1999 between the Company, the Government of the Republic of Lithuania and Williams International Company (from September 19, 2002 replaced by Yukos Finance B.V.) guaranteed that starting from October 29, 1999 for a period of 10 years that portion of taxable profit of the Company utilised for investment in property, plant and equipment may be taxed at a corporate profit tax rate of 0 percent. If the Government fails to ensure for at least for a period of 10 years the application of this investment credit, the Government shall be responsible for and shall indemnify and hold harmless the Company from any and all losses, liabilities and expenses incurred or sustained by the Company as a result of such failure. Uncertainties relating to certain provisions of Investment Agreement based on the Constitutional Court decision are described in Note 20.

During the three month period ended March 31, 2004 an additional valuation allowance for the amount of USD 547 thousand was recorded against the excess of deferred tax asset over deferred tax liability since the management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, it is not more likely than not that the asset will be realized.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Note 17: Earnings per share

Basic earnings per share is computed by dividing net income (the "numerator") by the weighted-average number of ordinary shares outstanding (the "denominator"). Diluted earnings per share is similar computed, except the denominator is increased to include the dilutive effect of outstanding stock options (Note 18).

The denominator is based on the following weighted-average number of ordinary shares outstanding (thousands of shares):

	Three-month period ended March 31,	
	2004	2003
Weighted – average shares outstanding – basic earnings per share	707,454	707,454
Add: incremental shares from assumed conversions of stock options	272,106	77,368
Weighted – average shares outstanding – diluted earnings per share	979,560	784,822

Note 18: Stock – based compensation

According to the Investment Agreement as of June 18, 2002, Yukos Finance B.V. has an option to subscribe for new shares for consideration of USD 75 million which would cause its holding in the Company to increase by 15.363 percent after exercising this option. The option expires on October 29, 2004.

After exercising the first option, Yukos Finance B.V. has an option to purchase from 1 to 11.5 percent of shares held by the Government of the Lithuanian Republic for a price which is equal to 3 times EBITDA (preceding year) times percentage to be repurchased but not less than USD 4.9 million for 1 percent. The option expires on October 29, 2006.

Note 19: Derivative instruments

In the last quarter of 2003, the Company entered into commodity price swap contract to reduce risk associated with the price volatility relating to forecast sales of diesel in April 2004. According to this contract the Company has swapped the floating price of a certain volume of forecast sales of diesel in April 2004 to fixed prices. The diesel reference price of this contract is based upon Platts European Marketscan NWE, which have a very high degree of historical correlation with actual prices received by the Company. The Company's diesel swap contract is designated as cash flow hedge.

As of March 31, 2004, the Company was a party to the fixed price swap:

Time period	Hedged item	Notional volume, MT	Average fixed price, USD/MT	Unrealized loss (USD thousands)
12/18/03 – 04/30/04	EN590, NWE	13,000	290.55	(445)
				(445)

Note 20: Commitments and contingent liabilities

Claim from PPS Pipeline Systems

During three-month period ended March 31, 2004 there were no changes in the status of the claim received from PPS Pipeline Systems for the total amount of USD 2,900 thousand.

In 2000, the Company received a claim from PPS Pipeline Systems, the contractor of the Oil Terminal Project, to compensate Lithuanian VAT in the amount of USD 2,138 thousand which was incurred until registration of PPS Pipeline Systems in Lithuania and, therefore, was not recovered from the state budget. The dispute regarding this subject started in 1997. Following advice of its lawyers the Company rejected these claims as ungrounded. In 2003, the Company received a repeated claim from PPS Pipeline Systems in the total amount of USD 2,900 thousand which also included accumulated late payment interest of USD 662 thousand and PPS Pipeline Systems branch office costs of USD 100 thousand. Furthermore, in 2003 PPS Pipeline Systems submitted an additional claim of USD 646 thousand to the Company for the extra works reimbursement according to the Oil Terminal contract. Following the principle of prudence, management created a provision of USD 2,900 thousand for possible losses that would be incurred if legal proceedings were successfully initiated against the Company, in the consolidated financial statements for the year ended December 31, 2003.

Claim from Klevo Lapas UAB

During three-month period ended March 31, 2004 there were no changes in the status of the claim received from Klevo Lapas UAB.

In 2003, based on decision of Competition Council, stating that the Company has not complied with the Competition Law and which allows the customers affected by the Company's pricing policy to claim damages from the Company, the legal proceedings initiated by Klevo Lapas UAB against the Company in 2000 were renewed and the Court appointed an independent expertise committee to evaluate the possible amounts of damages caused to Klevo Lapas UAB. As of March 31, 2004, the claims from Klevo Lapas UAB amounted to LTL 741 thousand (equivalent to USD 262 thousand as of March 31, 2004) and the possible amounts of damages caused to this customer evaluated by the expertise committee appointed by the Court at an early stage of the dispute comprised approximately LTL 7,500 thousand (equivalent to USD 2,650 thousand as of Marchr 31, 2004). As of March 31, 2004, the Company had a receivable from Klevo Lapas UAB amounting to LTL 5,298 thousand (equivalent of USD 1,872 thousand as of March 31, 2004), which was provided in full during the years ended December 31, 1999 and 2000. The management does not expect that the final amount of claim will exceed the amount receivable from Klevo Lapas UAB, therefore, no provision for the claim was made in the interim condensed consolidated financial statements for the three-month period ended March 31, 2004.

Payment request from a group of inventors

During three-month period ended March 31, 2004 there were no changes in the status of the payment request received from group of inventors.

As disclosed in the Company's consolidated financial statements as of December 31, 2003, the Company received a payment request from a group of persons in the amount of LTL 14,000 thousand (equivalent to USD 4,946 thousand as of March 31, 2004) related to production improvement process invented and patented by the group and subsequently implemented by the Oil refinery covering the period 1996 – 2001. Management does not agree that the implementation of the invention did actually improve the output of production process and, therefore, rejected the payment request. In 2003, one of the inventors initiated legal proceedings against the Company and claimed an amount totaling LTL 400 thousand (USD 141 thousand as of March 31, 2004). Management believes the charges are without merit and intends to vigorously defend its position. Accordingly, no accrual for this contingent liability has been made in these interim condensed consolidated financial statements. In the event the Company loses this proceeding, the Company might raise the issue of compensation of the amounts of this claim under provisions of the Investment Agreement, signed between OAO Yukos Oil Corporation, Yukos Finance B.V., Williams International Company, the Company and the Government of Lithuania (see also decision of the Constitutional Court described further).

Claim from Rietumu Banka AS

During three-month period ended March 31, 2004 there were no changes in the status of the claim received from Rietumu Banka AS for the total amount of USD 1,250 thousand.

On July 22, 1999, the Company received a claim from Rietumu Banka AS for the total amount of USD 1,250 thousand related to unperformed sales of oil products to Thornleigh Trust Ltd. in accordance with the agreement signed on March 23, 1998 with Rietumu Banka AS and Thornleigh Trust Ltd. The Company set-off the advance payment of USD 1,250 thousand received from Thornleigh Trust Ltd. against the receivable balance outstanding and did not perform the shipment of products. The management believes that the claim is without merit, therefore, no provision for the claim amount was made in the interim condensed consolidated financial statements for the three-month period ended March 31, 2004.

Other litigations and claims

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

Minority shareholders' claims

During three-month period ended March 31, 2004, there were no changes in status of the claim submitted by minority shareholders' to the court in 2002 to recognize the decisions made during the shareholders' meeting held on June 19, 2002 as invalid due to breach of the Law on Stock Companies. The decisions made include approval of the Investment Agreement between the Company, Yukos Oil Company, Yukos Finance B.V. and Williams International Company.

The final outcome of this claim has not been determined at the date of these interim condensed consolidated financial statements. Management believes that the claim of the minority shareholders is not grounded.

Decision of the Constitutional Court of the Republic of Lithuania

On October 18, 2000, the Constitutional Court of the Republic of Lithuania concluded that certain provisions of the Law of the Republic of Lithuania on Reorganization of Public Companies Būtingės Nafta AB, Mažeikių Nafta AB and Naftotiekis AB, which entitled the Government to assume, on behalf of the State, major property-related obligations to the strategic investor and (or) Mažeikių Nafta AB, contravened the Constitution of the Republic of Lithuania. The Constitutional Court concluded that the provision in the Law on compensation of losses to the strategic investor and Mažeikių Nafta AB is formulated in such a way that the State would have an obligation to compensate from the State budget even if the losses were incurred due to the fault of the strategic investor Williams International Company and (or) Mažeikių Nafta AB, and thus contradicts the Constitution of the Republic of Lithuania.

The Investment Agreement signed on October 29, 1999 between the Company, the Government of the Republic of Lithuania and Williams International Company (from September 19, 2002 replaced by Yukos Finance B.V.) established that the Government of the Republic of Lithuania undertook to ensure the economic conditions for the Company's operations (i.e. laws and other legal acts of the Republic of Lithuania) will not be changed in a manner that would adversely affect or impede implementation of the Management Plans of the Company until the later of the termination of the Management Agreement, the Shareholders' Agreement or the Financing Agreements (as such Management Plans and agreements defined in contractual documentation signed by the parties). The strategic investor and/or the Company can claim compensation from the Government for any losses incurred due to the Government's failure to ensure these matters. In addition, under the provisions of the Investment Agreement the Company is indemnified by the Government of the Republic of Lithuania from certain obligations and losses, if any, arising from the contingencies that were present when the agreement was signed. In 1999 and 2000, the Company received LTL 140,000 thousand (USD 35,000 thousand) as crude oil interruption compensation. In 2001 and 2002, the Government of the Republic of Lithuania compensated to the Company LTL 33,431 thousand (USD 8,671 thousand) under provisions of the Investment Agreement for indemnification from certain obligations and losses. The management of the Company believes that the uncertainty related to the decision of the Constitutional Court may to some extent negatively influence the Government of the Republic of Lithuania when fulfilling its obligations under the provisions of the Investment Agreement, however, no provisions have been established for the possible repayment of compensation already received.

In accordance with the amendments made to the Investment Agreement as of July 8, 2003, the provision allowing the Company the unilateral right of set off of amounts receivable from the Government of the Republic of Lithuania with the amounts payable to the Government was abolished.

Purchase commitments

On June 1999, the Company signed an agreement with UOP Limited for the installation of UOP HF Alkylation Process unit, Huels Selective Hydrogenation Process unit, UOP Oxygenate Removal Process unit and Penex Process unit. According to the agreement the Company is obliged to acquire licenses for the design capacities of the corresponding units. In 1999 and 2003, the Company paid USD 2,290 thousand for these licenses and included this amount in intangible assets. The remaining license purchase commitment amounts to approx. USD 751 thousand as of March 31, 2004.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Operating lease commitments – the Company is lessee

In 2003, the Company concluded operating lease agreements for premises of offices, furniture, EDP/IT equipment and motor vehicles. The Company also has a number of operating lease agreements for land plots and petrol stations. Operating lease commitments – future minimum lease payments according to non-cancelable lease agreements can be analyzed as follows:

Year ending March 31:	
2004	414
2005	352
2006	303
2007	190
2008 and later years	760
Total operating lease commitments	2,019

The Company also has several operating lease agreements for petrol stations equipment according to which the Company is obliged to pay LTL 0.15 (USD 0.05) per liter of gas sold in the petrol stations were the leased equipment is installed. The agreements are valid until August 1, 2016.

Note 21: Segment information

The Company has four reportable segments: oil refinery, oil terminal, pipeline operator and operator of petrol stations chain. The oil refinery produces different grades of high octane unleaded gasoline, diesel, jet fuel, bitumen, LPG and sulphur. The Company owns an import-export oil terminal in Būtingė on the Baltic sea cost. The pipeline segment consists of part of the Druzhba pipeline in the territory of the Republic of Lithuania and a pipeline connecting the Biržai pumping station with the oil refinery and the oil terminal. The pipeline operator transports crude oil to the oil refinery and terminals in Būtingė and Ventspils, Latvia. The operator of petrol stations chain owns approximately 30 petrol stations in Lithuania.

The accounting policies of the segments are the same as used by the Company. The Company evaluates performance of segments based on operating profit (i.e. sales and other operating revenues less operating cost and other deductions).

Summarized financial information concerning the Company's reportable segments for the three-month period ended March 31, 2004 and 2003 is shown in the following tables:

Three-month period March 31, 2004

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	528,598	13,604	8,323	3,733	309	(1,851)	552,716
Depreciation and amortization	(6,308)	(1,764)	(1,120)	(454)	(46)	-	(9,692)
Segment operating profit (loss)	34,110	8,006	5,132	(514)	(139)	10	46,605
Interest revenue	401	-	7	1	1	-	410
Interest expense	(4,378)	(2,526)	-	(129)	-	-	(7,033)
Segment assets	663,491	230,297	17,743	25,439	1,376	(18,274)	920,072
Additions to segment assets	5,176	2,069	-	65	5	-	7,315

(Expressed in U.S. Dollars (tabular amounts in thousands))

Three-month period ended March 31, 2003

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	413,481	14,363	8,920	4,405	292	(1,345)	440,116
Depreciation and amortization	(4,508)	(1,832)	(1,070)	(402)	(50)	-	(7,862)
Segment operating profit (loss)	28,360	9,048	5,560	(410)	(166)	-	42,392
Interest revenue	398	-	-	-	-	-	398
Interest expense	(7,916)	(3,497)	-	(140)	-	-	(11,553)
Segment assets	524,308	233,346	21,025	21,138	1,967	(10,507)	791,277
Additions to segment assets	14,507	13	122	20	-	-	14,662

Note 22: Related Parties

On September 19, 2002 Yukos Finance B.V. acquired its stake and management control rights in the Company.

In 2002, the Company and Yukos Oil Company signed a crude oil supply agreement for an annual quantity of 4,800 thousand metric tons of crude oil. The price of crude oil is determined based on open market terms. The agreement is valid until September 30, 2012.

Furthermore, according to an agreement with Yukos Oil Company signed in 2002, the Company has committed to accept an annual quantity of 4,000 thousand metric tons of crude oil from Yukos Oil Company and to transport it through the oil terminal. The price for the transportation services is determined based on market terms. This agreement is valid until December 31, 2005.

In 2002, the Company signed a sales commissioner agreement with Petroval SA, an entity related to Yukos Oil Company. According to this agreement Petroval SA sells the Company’s oil products for defined fee. Accounts receivable balance represents receivables from the third parties which has to be collected by Petroval SA on behalf of the Company.

Naftelf UAB is an associated company, where the Company holds 34 percent of the shares. The Company sells jet fuel to Naftelf UAB.

(Expressed in U.S. Dollars (tabular amounts in thousands))

Transactions carried out with the related parties and balances arising from these transactions are shown as follows:

	March 31, 2004	December 31, 2003
Accounts receivable from related parties, net		
Petroval SA (acting as a sales commissioner)	44,369	35,224
Yukos Group*	818	728
Naftelf UAB	350	403
Total accounts receivable from related parties, net	45,537	36,355

	March 31, 2004	December 31, 2003
Accounts payable (including accruals) to related parties		
Yukos Group (crude oil purchases, management fee, accrual for claim)	119,101	129,337
Petroval SA (crude oil purchases, commission fee and compensation of expenses)	43,436	20,357
Naftelf UAB	36	37
Total accounts payable (including accruals) to related parties	162,573	149,731
Advances received from related parties		
Yukos Group	256	500
Petroval SA	-	9
Naftelf UAB	-	23
Total advances received from related parties	256	532
Accrued interest payable		
Government of the Republic of Lithuania	56	64
Total accounts payable to/advances received from related parties	162,885	150,327

	March 31, 2004	December 31, 2003
Loans received from related parties		
Government of the Republic of Lithuania	288,927	288,927
Total loans received from related parties	288,927	288,927

(Expressed in U.S. Dollars (tabular amounts in thousands))

	Three-month period ended March 31, 2004	2003
Sales of products and services to related parties		
Yukos Group	4,356	11,040
Naftelf UAB	1,474	1,628
Interest on borrowings from related parties		
Government of the Republic of Lithuania	5,819	7,223
Yukos Group	-	3,750
Crude oil and services purchases from related parties		
Yukos Group (purchase of crude oil and management fee)	333,801	314,345
Petroval SA (commission fee and purchase of crude oil)	77,034	33,503

*Yukos Oil Company, Yukos International UK B.V., Yukos Finance B.V., Yukos Export Trade OOO are treated as Yukos Group companies.

Note 22: Subsequent events

During the annual general meeting which took place on April 30, 2004 the decision to make a transfer for the amount of USD 14,861 thousand from additional paid in capital to cover the accumulated deficit as of December 31, 2003 calculated in accordance with the Lithuanian regulatory legislation on accounting.

As of April 5, 2004 the Company signed a credit facility agreement with Vilnius Bank for an amount up to USD 15,000 thousand. The annual interest rate is one night USD LIBOR +1.1 percent on the amount drawn down. The agreement expires in April, 2005. According to the agreement the Company pledged a cash balance of USD 20,000 thousand in bank accounts.

In April 2004, M.Brudno, a significant shareholder of YUKOS, resigned from his position as chairman of the Board of Directors of Mazeikiu Nafta AB and a representative of the Government of the Republic of Lithuania was elected to this position.