

MAŽEIKIŲ NAFTA AB
U.S. GAAP
Interim Condensed Consolidated Financial Statements
(expressed in the Lithuanian litas)
September 30, 2004

Report of Independent Accountants

To the Shareholders of Mažeikių Nafta AB

1. We have reviewed the interim condensed consolidated financial statements of Mažeikių Nafta AB and its subsidiaries ("the Company") as of September 30, 2004 and for the three-month and nine-month periods then ended expressed in US Dollars, from which the accompanying interim condensed consolidated financial statements expressed in Lithuanian Litas were derived. We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we did not express such an opinion. On November 26, 2004 we issued a review report on the financial statements, from which these interim condensed consolidated financial statements expressed in Lithuanian Litas were derived, qualified with respect to the revaluation of property, plant and equipment and with emphasis of matter in respect of current situation within YUKOS and its possible impact on the Company.
2. In our opinion, the accompanying interim condensed consolidated financial statements expressed in Lithuanian Litas were properly, in all material respects, derived from the interim condensed consolidated financial statements expressed in US Dollars following the principles described in Note 2 *Basis of Preparation: Reporting and functional currencies*, to the accompanying interim condensed consolidated financial statements expressed in Lithuanian Litas.
3. For a better understanding of the Company's financial position, the results of its operations and cash flows for the three-month and nine-month periods, management's responsibilities in connection with the financial statements and of the scope of our review, these interim condensed consolidated financial statements expressed in Lithuanian Litas should be read in conjunction with the interim condensed consolidated financial statements expressed in US Dollars, from which they were derived, and our review report thereon.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Vilnius, Republic of Lithuania
November 26, 2004

MAŽEIKIŲ NAFTA AB**Interim Condensed Consolidated Balance Sheets (UNAUDITED)**

(Expressed in thousand of Lithuanian Litas, except as indicated)

	Note	September 30, 2004	December 31, 2003
Assets			
Cash and cash equivalents, net	3	732,613	297,379
Current portion of restricted cash	4	79,431	2,696
Trade accounts receivable, net	5	144,219	144,891
Accounts receivable from related parties, net	22	241,720	100,416
Inventories	6	455,385	324,262
Other current assets, net	7	19,706	34,035
Current portion of deferred tax asset (net of valuation allowance of LTL 2,433 thousand and LTL 884 thousand at September 30, 2004 and December 31, 2003 respectively)	16	866	2,367
Total current assets		1,673,940	906,046
Non-current portion of restricted cash	4	35,594	65,503
Equity investees and long-term investments at cost (net of accumulated impairment of LTL 6,354 thousand and LTL 6,262 thousand at September 30, 2004 and December 31, 2003 respectively)		3,795	4,378
Property, plant and equipment, net	8	1,442,355	1,464,684
Intangible assets, net	9	13,140	7,237
Non-current accounts receivable (net of allowance for doubtful accounts of LTL 4,378 thousand and LTL 5,624 thousand at September 30, 2004 and December 31, 2003 respectively)		15,224	20,652
Non-current portion of deferred tax asset (net of valuation allowance of LTL 70,462 thousand and LTL 72,345 thousand at September 30, 2004 and December 31, 2003 respectively)	16	-	66
Total assets	21	3,184,048	2,468,566
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	15	32,850	33,333
Current portion of capital lease liabilities	14	880	1,083
Trade accounts payable	10	134,107	82,184
Accounts payable to/advances received from related parties	22	516,843	415,218
Advances received	11	13,096	8,662
Taxes payable and accrued taxes	12	209,106	90,539
Other current liabilities	13	28,410	33,620
Total current liabilities		935,292	664,639
Long-term debt, net of current maturities	15	1,309,304	1,313,754
Capital lease liabilities, net of current maturities	14	1,055	1,911
Subsidies		13,950	13,837
Non-current portion of deferred tax liability	16	866	853
Total liabilities		2,260,467	1,994,994
Minority interest		2,018	2,502
Ordinary shares (707,454,130 authorized and issued at September 30, 2004 and December 31, 2003; nominal value – LTL 1 per share)		707,454	707,454
Additional paid in capital	19	283,040	342,484
Revaluation reserve		437	437
Accumulated other comprehensive loss		(112,476)	(114,767)
Accumulated surplus (deficit)		43,108	(464,538)
Total shareholders' equity		921,563	471,070
Commitments and contingent liabilities	20	-	-
Total liabilities and shareholders' equity		3,184,048	2,468,566

Paul Nelson English
General Director

Vita Petrošienė
Chief Financial Officer

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

MAŽEIKIŲ NAFTA AB**Interim Condensed Consolidated Statements of Income (UNAUDITED)**

(Expressed in thousand of Lithuanian Litas, except as indicated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2004	2003	2004	2003
Sales and other operating revenues*	21	2,307,478	1,498,366	5,370,653	3,752,820
Operating costs and other deductions					
Cost of sales, excluding depreciation and amortization		(1,856,240)	(1,284,344)	(4,289,934)	(3,160,341)
Selling and distribution expenses, excluding depreciation and amortization		(115,319)	(78,553)	(323,487)	(201,199)
General and administrative expenses, excluding depreciation and amortization		(29,540)	(42,982)	(102,937)	(135,685)
Depreciation and amortization	21	(27,028)	(26,288)	(80,113)	(74,803)
Total operating costs and other deductions		(2,028,127)	(1,432,167)	(4,796,471)	(3,572,028)
Other income (expenses)					
(Loss) income from equity affiliates		(70)	91	(118)	(81)
Interest income	21	3,069	831	5,818	2,893
Interest expense	21	(18,445)	(22,458)	(55,961)	(87,573)
Exchange gain (loss), net		4,127	(1,044)	1,870	22,739
Write-down of long-term investments		-	-	-	(1,587)
Other expenses, net		(585)	-	(463)	(328)
Total other expenses, net		(11,904)	(22,580)	(48,854)	(63,937)
Income before income tax and minority interest		267,447	43,619	525,328	116,855
Income tax					
Current income tax expense		(51,516)	-	(76,041)	-
Deferred income tax expense		(59)	-	(1,578)	-
Total income tax expense, net		(51,575)	-	(77,619)	-
Income before minority interest		215,872	43,619	447,709	116,855
Minority interest		88	245	493	1,077
Net income		215,960	43,864	448,202	117,932
Earnings per share (LTL per share)					
Basic		0.30	0.06	0.63	0.17
Diluted		0.22	0.05	0.46	0.13
Weighted-average shares outstanding (thousands of shares)					
Basic		707,454	707,454	707,454	707,454
Diluted	17	982,212	944,180	980,757	895,661
*excludes excise taxes on sold refined oil products		286,876	227,752	663,930	542,149

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

MAŽEIKIŲ NAFTA AB

Interim Condensed Consolidated Statements of Cash Flow (UNAUDITED)

(Expressed in thousand of Lithuanian Litas, except as indicated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2004	2003	2004	2003
Operating activities					
Net income		215,960	43,864	448,202	117,932
Adjustments to reconcile net income to cash provided by operations:					
Depreciation and amortization		27,028	26,288	80,113	74,803
Equity in losses (income) of associates		70	(91)	118	81
Minority interest		(88)	(245)	(493)	(1,077)
Loss on sales and retirements of property, plant and equipment and intangible assets		634	962	4,654	6,572
Impairment of investments		-	-	-	1,587
Allowance for inventory		2,769	-	5,606	-
Discounting of long-term receivables		(74)	(129)	(485)	(120)
Gain on sales of long-term investments		(173)	-	(173)	-
Changes in operating assets and liabilities:					
Trade accounts receivable and accounts receivable from related parties		(75,684)	(31,294)	(138,315)	81,113
Inventories		(51,818)	(10,090)	(130,113)	(83,804)
Other current assets		757	(11,917)	21,993	3,955
Trade accounts payable and accounts payable to related parties		116,814	134,570	146,514	94,122
Taxes payable, advances and other current liabilities		96,720	16,310	117,647	(11,627)
Net cash generated from operating activities		332,915	168,228	555,268	283,537
Investing activities					
Additions to property, plant and equipment and intangible assets	22	(11,796)	(50,302)	(51,317)	(205,996)
Proceeds from sales of property, plant and equipment		1,816	-	3,043	1,921
Proceeds from sales of long term investments		640	-	640	-
Distributions from investees		-	-	-	222
Net cash used for investing activities		(9,340)	(50,302)	(47,634)	(203,853)
Financing activities					
Net (repayments of) proceeds from short-term debt		(18,132)	320	50	(48,332)
Repayments of long-term debt		(9,261)	(19,962)	(25,806)	(37,673)
Proceeds from long-term loans		-	10,500	-	15,794
Principal payments of capital lease obligations		(627)	(194)	(1,090)	(1,111)
Change in long-term accounts receivable		(179)	367	(52)	126
Net cash used for financing activities		(28,199)	(8,969)	(26,898)	(71,196)
Effect of foreign exchange on cash balances		(10,221)	(4,345)	1,324	(38,583)
Net change in cash and cash equivalents		285,155	104,612	482,060	(30,095)
Cash and cash equivalents at beginning of period	3	458,120	99,662	297,379	159,320
Change in restricted cash	4	(10,662)	25,460	(46,826)	100,509
Cash and cash equivalents at end of period	3	732,613	229,734	732,613	229,734

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

MAŽEIKIŲ NAFTA AB**Interim Condensed Consolidated Statements of Shareholders' Equity
and of Comprehensive Income (UNAUDITED)**

(Expressed in thousand of Lithuanian Litas, except as indicated)

	Number of ordinary shares issued Note (thousand)	Ordinary shares	Additional paid in capital	Revalua- tion reserve	Accumulated other comprehensive loss	Accumulat- ed (deficit) surplus	Total shareholders' equity
Balance at December 31, 2003	707,454	707,454	342,484	437	(114,767)	(464,538)	471,070
Net income for the period	-	-	-	-	-	232,242	232,242
Other comprehensive income, net of tax	-	-	-	-	13,164	-	13,164
Release from reserves to cover accumulated deficit	19	-	(59,444)	-	-	59,444	-
Balance at June 30, 2004	707,454	707,454	283,040	437	(101,603)	(172,852)	716,476
Net income for the period	-	-	-	-	-	215,960	215,960
Other comprehensive loss, net of tax	-	-	-	-	(10,873)	-	(10,873)
Balance at September 30, 2004	707,454	707,454	283,040	437	(112,476)	43,108	921,563

Comprehensive income for the three-month and nine-month periods ended September 30, 2004 and 2003 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income	215,960	43,864	448,202	117,932
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment	(10,873)	(1,675)	2,291	(32,354)
Total comprehensive income	205,087	42,189	450,493	85,578

MAŽEIKIŲ NAFTA AB

Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in Lithuanian Litas (tabular amounts in thousands))

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 Mažeikių Nafta AB is a significant shareholder of YUKOS. Beginning in 2003, he together with other significant shareholders of YUKOS were the subjects of 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 and are currently on 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 issued a tax claim against YUKOS in the amount of USD 3.4 billion (equivalent LTL 9.53 billion as of September 30, 2004) in taxes, including penalties and interest, for the year 2000. YUKOS exercised its rights to resolve this matter through litigation and, in May and June 2004, the Moscow Arbitration Court ruled in favor of the Russian tax authorities. A subsequent cassation claim filed by YUKOS failed and it is currently planning an appeal to the Supreme Arbitrage Court. Nevertheless, because of the court rulings, it is required to pay the tax claim in accordance with the demands of the tax authorities who had set a payment deadline of August 31, 2004. Although payments were made against this tax claim YUKOS was unable to pay the full amount of the claim prior to the deadline. To secure payment of the tax claim the tax authorities obtained a court ruling prohibiting YUKOS from disposing or encumbering its assets and court bailiffs have taken control of certain YUKOS bank accounts, seized the shares of YUKOS' main production subsidiaries Yuganskneftegaz, Tomskneft and Samaraneftgaz, announced their intention to sell Yuganskneftegaz in an auction scheduled as of December 19, 2004. Additionally, the Russian tax authorities expanded their tax audits and submitted tax assessments against YUKOS in the amounts of USD 4.1 billion and USD 6.7 billion, and USD 6.0 billion (equivalent LTL 11.49 billion and LTL 18.78 billion, LTL 16.82 billion as of September 30, 2004) in taxes, including penalties and interest for the years 2001 and 2002, and 2003 respectively. YUKOS is again exercising its rights to resolve these matters through litigation. The tax authorities have also completed a review of Yuganskneftegaz tax filings for 2001 and 2002 and claimed an additional USD 3.4 billion (equivalent LTL 9.53 billion as of September 30, 2004).

On August 31, 2004 at the request of the General prosecutor, a Moscow court imposed the arrest of the bank accounts of Yuganskneftegaz. The arrest of these bank accounts has resulted in the inability of Yuganskneftegaz to fully settle its current operating expenses, including transportation costs, current production taxes and other payments to the state budget. Yuganskneftegaz's failure to make such payments violates the terms of its production licenses. In October 2004, the Natural Resources Ministry indicated Yuganskneftegaz had three months upon receipt of official Ministry notification to rectify its tax situation or face the withdrawal of its licenses.

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Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in Lithuanian Litas (tabular amounts in thousands))

Additionally, in July and August 2004, YUKOS received notices of default from its lenders of its two pre-export facility secured term loans aggregating USD 2.6 billion (equivalent LTL 7.29 billion as of September 30, 2004). The lenders have and will continue the use the provisions of the loan agreements to be fully or partially repaid from the proceeds of the export sales of crude oil securing the facilities.

As a result of the cash constraints described above YUKOS may be unable to maintain its production of crude oil. Additionally, should the court bailiffs be successful in selling YUKOS' main production subsidiary, Yuganskneftegaz, or if the Natural Resources Ministry were to revoke Yuganskneftegaz's licenses its, crude oil production would be severely reduced.

As further disclosed in Note 22 to the financial statements, the Company is currently dependent on YUKOS for essentially all of its supply of crude oil. The management of the Company, with significant assistance from YUKOS, is seeking to reduce this dependence and is taking the following actions:

- developing a logistic scheme for loading crude oil from the Oil Terminal;
- concluding agreements for additional railway services for transportation of crude oil from the Oil Terminal to the Refinery;
- increasing crude oil stock level;
- further diversification of crude oil supply.

In the event that Yukos is unable to meet its obligation to supply crude oil to the Company or should management efforts to obtain new sources of crude oil in adequate quantities be unsuccessful the Company's financial position and operations would be adversely impacted.

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 the US Dollar (USD) and function currencies of subsidiaries are official currencies of countries in which they operate. These consolidated financial statements have been presented in Lithuanian Litas, the official currency of the Republic of Lithuania, in order to meet the requirements of the National Stock Exchange of Lithuania. The financial statements of the Company, prepared in US Dollars, were translated to reporting currency, Lithuanian Litas (LTL), by using period end exchange rates for translation of assets and liabilities and appropriately weighted average exchange rates for period for translation of revenues, expenses, gains and losses. Translation adjustments resulting from the process of translation the financial statements into the reporting currency are not included in determining net income for the period but are disclosed and accumulated in the statement of other comprehensive income.

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.

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Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in Lithuanian Litas (tabular amounts in thousands))

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,	2.8029	3.0133
June 30,	2.8375	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.

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Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in Lithuanian Litas (tabular amounts in thousands))

Note 3: Cash and cash equivalents, net

	September 30, 2004	December 31, 2003
Short-term bank deposits	632,017	292,973
Cash in banks	122,016	25,567
Cash on hand	67	38
Total cash and cash equivalents	754,100	318,578
Less: allowance for cash held in Litimpeks Bank	(12,837)	(12,675)
allowance for cash held in Vneshekonombank	(8,650)	(8,524)
Total cash and cash equivalents, net	732,613	297,379

As of September 30, 2004, the weighted average effective annual interest rate on short-term bank deposits was 1.91 percent (December 31, 2003: 1.47 percent).

An allowance was formed for the deposit of USD 3,086 thousand or LTL 8,650 thousand as of September 30, 2004 (December 31, 2003: USD 3,086 thousand or LTL 8,524 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

	September 30, 2004	December 31, 2003
Non-current portion of restricted cash	35,594	65,503
Current portion of restricted cash	79,431	2,696
Total restricted cash	115,025	68,199

Restricted cash in the amount of USD 12,699 thousand or LTL 35,594 thousand as of September 30, 2004 (December 31, 2003: USD 23,546 thousand or LTL 65,036 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, but the same restrictions apply.

Cash in certain bank accounts to a total amount of USD 20,000 thousand or LTL 56,058 thousand as of September 30, 2004 has been pledged as a security for the credit facility agreement signed with Vilniaus Bankas AB (Note 15).

The remaining balance of restricted cash of USD 8,339 thousand or LTL 23,373 thousand as of September 30, 2004 (December 31, 2003: USD 976 thousand or LTL 2,696 thousand) is required to be maintained under the terms of letters of credit issued for settlements with suppliers.

MAŽEIKIŲ NAFTA AB**Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)**

(Expressed in Lithuanian Litas (tabular amounts in thousands))

Note 5: Trade accounts receivable, net

	September 30, 2004	December 31, 2003
Oil refinery	186,789	187,038
Retail network operators	2,991	2,041
Oil terminal	1,435	2,544
Pipeline operator	129	2,226
Non-production units	8	36
Total gross trade accounts receivable	191,352	193,885
Less: allowance for doubtful trade accounts receivable	(47,133)	(48,994)
Total trade accounts receivable, net	144,219	144,891

Note 6: Inventories

	September 30, 2004	December 31, 2003
Finished goods and goods for resale	263,230	183,434
Raw and supplementary materials	82,170	55,573
Spare parts and other	70,689	57,625
Semi-manufactures	43,212	27,508
Assets held for resale	1,690	122
Less: allowance for slow moving spare parts and other inventory	(5,606)	-
Total inventories	455,385	324,262

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

	September 30, 2004	December 31, 2003
Prepaid and recoverable taxes	10,088	10,847
Advances to suppliers (net of allowances for doubtful accounts of LTL 1,368 thousand and LTL 1,389 thousand at September 30, 2004 and December 31, 2003 respectively)	6,702	3,331
Accrued income and deferred expenses	1,799	18,655
Other current assets (net of allowances for doubtful accounts of LTL 3,358 thousand and LTL 3,337 thousand at September 30, 2004 and December 31, 2003 respectively)	1,117	1,202
Total other current assets, net	19,706	34,035

MAŽEIKIŲ NAFTA AB**Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)**

(Expressed in Lithuanian Litas (tabular amounts in thousands))

Note 8: Property, plant and equipment, net

	September 30, 2004	December 31, 2003
Machinery and equipment	1,829,876	1,717,267
Other tangible assets	243,440	232,798
Buildings	241,246	244,001
Pipeline fill	23,912	22,997
Construction in progress and prepayments	86,744	142,997
Total property, plant and equipment at cost	2,425,218	2,360,060
Less: accumulated depreciation	(982,863)	(895,376)
Total property, plant and equipment, net	1,442,355	1,464,684

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.

Note 9: Intangible assets, net

	September 30, 2004	December 31, 2003
Patents and licenses	16,560	16,139
Prepayments for patents and licenses	9,805	3,395
Total intangible assets at cost	26,365	19,534
Less: accumulated amortization	(13,225)	(12,297)
Total intangible assets, net	13,140	7,237

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

Note 10: Trade accounts payable

	September 30, 2004	December 31, 2003
Oil refinery	131,058	75,386
Retail network operator	1,620	2,359
Oil terminal	1,113	3,790
Pipeline operator	280	533
Non-production units	36	116
Total trade accounts payable	134,107	82,184

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(Expressed in Lithuanian Litas (tabular amounts in thousands))

Note 11: Advances received

	September 30, 2004	December 31, 2003
Oil refinery	10,293	7,163
Pipeline operator	2,531	588
Retail network operator	269	276
Oil terminal	3	594
Non-production units	-	41
Total advances received	13,096	8,662

Note 12: Taxes payable and accrued taxes

	September 30, 2004	December 31, 2003
Accrued profit tax	84,788	-
VAT payables	76,045	38,721
Excise tax	39,773	34,907
Natural persons income tax payable	3,282	2,779
Real estate	2,680	2,467
Profit tax payable	406	9,339
Other taxes	2,132	2,326
Total taxes payable and accrued taxes	209,106	90,539

Note 13: Other current liabilities

	September 30, 2004	December 31, 2003
Salaries and social security	9,650	9,999
Accrued claims from Oil terminal contractors	8,128	8,010
Accrued vacation pay	2,298	5,198
Accrued interest	1,771	1,840
Accrued professional fees	280	848
Other accrued expenses and short-term liabilities	6,283	7,725
Total other current liabilities	28,410	33,620

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(Expressed in Lithuanian Litas (tabular amounts in thousands))

Note 14: Capital lease liabilities

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

	September 30, 2004	December 31, 2003
Not later than 1 year	1,001	1,279
Later than 1 year and not later than 2 years	967	1,143
Later than 2 year and not later than 3 years	146	925
Later than 3 year and not later than 4 years	14	28
Net minimum lease payments	2,128	3,375
Less: Future finance charges on capital leases	(193)	(381)
Present value of capital lease liabilities	1,935	2,994

As of September 30, 2004 the weighted average effective annual interest rate on the capital lease liabilities was 7.41 percent (December 31, 2003: 7.7 percent).

The present value of capital lease liabilities is as follows:

	September 30, 2004	December 31, 2003
Current portion of capital lease liabilities	880	1,083
Capital lease liabilities, net of current maturities	1,055	1,911
Present value of capital lease liabilities	1,935	2,994

Note 15: Debt

	September 30, 2004	December 31, 2003
Long-term debt	1,341,655	1,346,637
Current portion of long-term debt	(32,351)	(32,883)
Non-current portion of long-term debt	1,309,304	1,313,754
Current portion of long-term debt	32,351	32,883
Overdraft	499	450
Total short-term debt and current portion of long-term debt	32,850	33,333

In February 2004 the Company signed an overdraft agreement for PLN 30 million (equivalent to LTL 23,772 thousand as of September 30, 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 September 30, 2004 the credit facility was undrawn.

In April 2004 the Company signed a credit facility agreement with Vilnius Bank for an amount up to USD 15,000 thousand (equivalent to LTL 42,043 thousand as of September 30, 2004). 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 (equivalent to LTL 56,058 thousand as of September 30, 2004) in its bank accounts. As of September 30, 2004 the credit facility was undrawn.

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In May 2004 the Company signed an overdraft agreement for the amount not exceeding LTL 500 thousand with Bankas Snoras AB. Annual interest rate is 7.0 percent on the amount drawn down. The agreement expires in May 2005. As of September 30, 2004 the amount withdrawn amounted to LTL 500 thousand.

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

Lender/Purpose	Repayment terms	Annual interest rate	Maturity date (mm/yy)	Loan amount USD	Balance as of September 30, 2004	
					USD	LTL
Working capital finance						
Government of Lithuania	Semi-annually*	7.00%	07/13	323,928	288,927	809,833
Vilniaus Bankas AB	Semi-annually*	3 months LIBOR+1.100%	07/13	75,000	75,000	210,218
Investment program						
Vilniaus Bankas AB	Semi-annually*	3 months LIBOR +1.100%	07/13	75,000	75,000	210,218
Investment in oil terminal						
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	06/06	7,235	1,809	5,070
Kreditanstalt fur Wiederaufbau	Semi-annually	8.065%	09/06	2,444	611	1,713
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	4,294	759	2,127
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	11,855	3,133	8,781
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	17,395	4,181	11,719
Hansabankas AB	Semi-annually	6 months LIBOR +0.900%	01/09	50,000	23,684	66,384
Petrol stations						
Karina International Ltd.	Monthly	9.000%	05/05	400	279	782
Bankas Snoras AB	Monthly	7.000%	05/08	6,411	5,266	14,760
Trading houses						
Nordea Bank Finland Plc	Monthly	3.900%	12/06	24	18	50
Less: current portion of long-term debt					(32,351)	
Total long term debt					1,309,304	

* - the first repayment in 2009 year

As of May 2004, the primary currency of the loan granted by Bankas Snoras AB was changed from USD dollars to Litas.

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

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The bank borrowings of petrol stations are secured over certain of their property, plant and equipment with net book value of approx. LTL 39,610 thousand as of September 30, 2004.

Scheduled maturity of long-term borrowings is as follows:

	2004	2005	2006	2007	2008	Later	Total
Principal amount of debt	7,360	32,379	28,105	19,413	16,753	1,237,645	1,341,655

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 long-term debt outstanding as of September 30, 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 (equivalent of LTL 785 thousand as of September 30, 2004) 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 should have been financed from the Company's operating cash flows and this enabled the Company to avoid income tax expenses during 2004 – 2009 applying investment credit following the terms of Investment Agreement.

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.

Factors that have increased the Company's effective tax rate for the nine-month period ended September 30, 2004 as compared to the six-month period ended June 30, 2004, included further delays in implementation of investments in property, plant and equipment plans for 2004. As a result, the Company will be entitled to lower investment credit, resulting in taxable profit for the year. Higher than budgeted refinery margins also contributed to increase in expected effective tax rate for the nine-month period ended September 30, 2004.

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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 months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Weighted – average shares outstanding – basic earnings per share	707,454	707,454	707,454	707,454
Add: incremental shares from assumed conversions of stock options	274,758	236,726	273,303	188,207
Weighted – average shares outstanding – diluted earnings per share	982,212	944,180	980,757	895,661

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 (equivalent of LTL 210 million as of September 30, 2004) 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. As disclosed in Note 23, Yukos Finance B.V. issued an intention letter to exercise the option on October 29, 2004.

If it exercises the first option, Yukos Finance B.V. would then have 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 (equivalent of LTL 13.7 million as of September 30, 2004) for 1 percent. The option would expire on October 29, 2006.

Note 19: Additional paid in capital

During the annual general meeting which took place on April 30, 2004 the decision to make transfer for the amount of LTL 59,444 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 was made.

Note 20: Commitments and contingent liabilities**Claim from PPS Pipeline Systems**

During the nine-month period ended September 30, 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 (equivalent of LTL 8,128 thousand as of September 30, 2004).

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 (equivalent of LTL 5,993 thousand as of September 30, 2004), 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 (equivalent of LTL 8,128 thousand as of September 30, 2004) which also included accumulated late payment interest of USD 662 thousand (equivalent of LTL 1,855 thousand as of September 30, 2004) and PPS Pipeline Systems branch office costs of USD 100 thousand (equivalent of LTL 280 thousand as of September 30, 2004). Furthermore, in 2003 PPS Pipeline Systems submitted an additional claim of USD 646 thousand (equivalent to LTL 1,811 thousand as of September 30, 2004) 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 (equivalent of LTL 8,128 thousand as of September 30, 2004) 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 the nine-month period ended September 30, 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 September 30, 2004, the claims from Klevo Lapas UAB amounted to LTL 741 thousand 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. As of September 30, 2004 the Company had a receivable from Klevo Lapas UAB amounting to LTL 5,298 thousand, 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 nine-month period ended September 30, 2004.

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Payment request from a group of inventors

During the nine-month period ended September 30, 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 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. 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 the nine-month period ended September 30, 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 (equivalent of LTL 3,503 thousand as of September 30, 2004).

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 nine-month period ended September 30, 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.

Investigation of the Competition Council

In August 2004, the Lithuanian Competition Council started an investigation against the Company to determine whether the higher price of fuel in Lithuania is not the result of violations and abuse of its dominant position in the market. The reason for this interest is the fact that the prices of fuel in Lithuania are higher than those in Latvia and Estonia, despite the fact that with effect from May 2004 all three countries have unified fuel excise and customs duties. Management believes that the Company complied with Lithuanian Competition Law and, therefore, no provision for possible outcome of this investigation is required.

Minority shareholders' claims

During the nine-month period ended September 30, 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.

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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 as crude oil interruption compensation. In 2001 and 2002, the Government of the Republic of Lithuania compensated to the Company LTL 33,431 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

The Company has signed a number of contracts with various suppliers for purchase of tangible and intangible assets. The total tangible and intangible assets purchase commitments according to these contracts amounted to USD 1,403 thousand (equivalent to LTL 3,932 thousand) as of September 30, 2004.

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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 September 30:

2005	1,152
2006	1,149
2007	802
2008	345
2009 and later years	1,898

Total operating lease commitments 5,346

The Company also has several operating lease agreements for petrol stations equipment according to which the Company is obliged to pay LTL 0.15 per liter of gas sold in the petrol stations where 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 coast. 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 September 30, 2004 and 2003 is shown in the following tables:

Three-month period ended September 30, 2004

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	2,253,624	24,780	20,550	16,397	1,139	(9,012)	2,307,478
Depreciation and amortization	(17,200)	(5,458)	(3,003)	(1,255)	(112)	-	(27,028)
Segment operating profit (loss)	264,280	8,262	12,978	(2,540)	(1,047)	(2,582)	279,351
Interest revenue	3,061	-	-	5	3	-	3,069
Interest expense	(11,478)	(6,681)	-	(286)	-	-	(18,445)
Segment assets	2,484,693	632,065	48,964	65,294	2,985	(49,953)	3,184,048
Additions to segment assets	7,795	-	1,165	2,764	72	-	11,796

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Three-month period ended September 30, 2003

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	1,429,099	37,032	25,306	16,229	1,408	(10,708)	1,498,366
Depreciation and amortization	(15,887)	(4,999)	(3,892)	(1,406)	(104)	-	(26,288)
Segment operating profit (loss)	41,692	13,752	11,707	(992)	92	(52)	66,199
Interest revenue	825	-	-	6	-	-	831
Interest expense	(14,074)	(7,911)	-	(473)	-	-	(22,458)
Segment assets	1,751,075	671,945	57,147	65,578	4,948	(38,188)	2,512,505
Additions to segment assets	49,488	40	396	298	80	-	50,302

Summarized financial information concerning the Company's reportable segments for the nine-month period ended September 30, 2004 and 2003 is shown in the following tables:

Nine-month period September 30, 2004

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	5,182,947	101,594	64,485	40,509	3,115	(21,997)	5,370,653
Depreciation and amortization	(51,396)	(15,431)	(9,180)	(3,746)	(360)	-	(80,113)
Segment operating profit (loss)	496,278	47,690	39,954	(5,524)	(351)	(3,865)	574,182
Interest revenue	5,773	3	25	11	6	-	5,818
Interest expense	(34,755)	(20,231)	-	(975)	-	-	(55,961)
Segment assets	2,484,693	632,065	48,964	65,294	2,985	(49,953)	3,184,048
Additions to segment assets	40,663	5,258	1,381	3,895	120	-	51,317

Nine-month period September 30, 2003

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	3,511,961	134,335	81,144	46,631	3,719	(24,970)	3,752,820
Depreciation and amortization	(43,075)	(16,500)	(10,595)	(4,194)	(439)	-	(74,803)
Segment operating profit (loss)	74,320	65,616	46,747	(4,060)	(1,969)	138	180,792
Interest revenue	2,887	-	-	6	-	-	2,893
Interest expense	(55,968)	(30,160)	-	(1,445)	-	-	(87,573)
Segment assets	1,751,075	671,945	57,147	65,578	4,948	(38,188)	2,512,505
Additions to segment assets	200,862	2,525	935	1,527	147	-	205,996

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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 June 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. In addition, during 2004 the Company carried out several sales transactions with Petroval SA where Petroval SA was acting as a customer. Accounts receivable balance consists of receivables from the third parties which has to be collected by Petroval SA on behalf of the Company and direct receivables from Petroval SA.

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

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

	September 30, 2004	December 31, 2003
Accounts receivable from related parties, net		
Petroval SA (acting as a sales commissioner)	214,958	97,292
Petroval SA (acting as a customer)	19,214	-
Yukos Group*	6,088	2,011
Naftelf UAB	1,460	1,113
Total accounts receivable from related parties, net	241,720	100,416
	September 30, 2004	December 31, 2003
Accounts payable (including accruals) to related parties		
Yukos Group (crude oil purchases, management fee, accrual for claim)	441,737	357,242
Petroval SA (crude oil purchases, commission fee and compensation of expenses)	75,106	56,228
Naftelf UAB	-	102
Total accounts payable (including accruals) to related parties	516,843	413,572
Advances received from related parties		
Yukos Group	-	1,380
Petroval SA	-	25
Naftelf UAB	-	64
Total advances received from related parties	-	1,469
Accrued interest payable		
Government of the Republic of Lithuania	157	177
Total accrued interest payable	157	177
Total accounts payable to/advances received from related parties	516,843	415,218
	September, 2004	December 31, 2003
Loans received from related parties:		
Government of the Republic of Lithuania	809,835	798,045

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	Three months ended September 30,		Six months ended September 30,	
	2004	2003	2004	2003
Sales of products and services to related parties:				
Yukos Group	3,724	30,459	38,669	93,239
Naftelf UAB	8,983	6,515	20,890	16,678
Petroval SA	131,463	-	164,165	-
Interest on borrowings from related parties				
Government of the Republic of Lithuania	14,679	18,571	45,513	63,685
Yukos Group	-	1,270	-	24,834
Crude oil and services purchases from related parties:				
Yukos Group (purchase of crude oil and management fee)	1,309,191	1,112,538	3,168,388	2,608,148
Petroval SA (commission fee and purchase of crude oil)	223,692	78,141	508,479	203,467

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

Note 23: Subsequent events

In October, 2004 the Company signed an overdraft for EEK 13.0 million (equivalent to LTL 2,869 thousand as of September 30, 2004) with Hansapank. Annual interest rate is 3.45 percent on the amount drawn down. The agreement expires in October 2005.

On October 29, 2004, Yukos Finance BV issued a letter of intent to the Government of Lithuania regarding its intention to exercise its option to subscribe for new shares in the Company, for a consideration of USD 75 million (equivalent to LTL 210 million as of September 30, 2004), which would increase its holding by 15.363 percent. The Company received a copy of this letter on November 5, 2004.

In order to exercise this option, the approval of a general meeting of the Company's shareholders is required. As at the date of signing these financial statements, the management of the Company not aware either of the timing or the substance of any decision that the shareholders may take.