

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

Report of Independent Accountants

To the Shareholders of Mažeikių Nafta AB

1. We have reviewed the accompanying interim condensed consolidated balance sheet of Mažeikių Nafta AB and subsidiaries ("the Company") as of September 30, 2004 and the related interim condensed consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the three-month and nine-month periods ended September 30, 2004. These interim condensed consolidated financial statements are the responsibility of the Company's management.
2. Except as discussed in paragraph 3, 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 inquiries 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 do not express such an opinion.
3. United States Generally Accepted Accounting Principles (US GAAP) require presentation of property, plant and equipment on the basis of historical cost less accumulated depreciation. In accordance with resolutions of the Government of Lithuania, the Company has revalued property, plant and equipment four times prior to January 1, 1996 resulting in an initial cumulative increase in the net book value of tangible assets of USD 115,090 thousand. Due to many movements and lack of separate registration of the indexed amounts per asset, the Company is unable to quantify the effect of the indexations on the balance sheets as of September 30, 2004 and December 31, 2003 and interim condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2004 and September 30, 2003.
4. Based on our review, with the exception of the matter described in paragraph 3, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.
5. As further discussed in Note 1 to the financial statements the Company's ultimate parent, YUKOS is required to pay a significant amount for back taxes which it is currently unable to pay within the deadlines set by the Russian tax authorities. Accordingly, the Russian tax authorities have taken action which could adversely impact the level of crude oil production of YUKOS upon which the Company is currently dependent. Management's plans with regards to this situation are also discussed in Note 1.

Vilnius, Republic of Lithuania
November 26, 2004

PricewaterhouseCoopers UAB

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

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

	Note	September 30, 2004	December 31, 2003
Assets			
Cash and cash equivalents, net	3	261,377	107,664
Current portion of restricted cash	4	28,339	976
Trade accounts receivable, net	5	51,453	52,457
Accounts receivable from related parties, net	22	86,239	36,355
Inventories	6	162,470	117,397
Other current assets, net	7	7,030	12,322
Current portion of deferred income tax asset (net of valuation allowance of USD 868 thousand and USD 320 thousand at September 30, 2004 and December 31, 2003 respectively)	16	309	857
Total current assets		597,217	328,028
Non-current portion of restricted cash	4	12,699	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 September 30, 2004 and December 31, 2003 respectively)		1,354	1,585
Property, plant and equipment, net	8	514,592	530,279
Intangible assets, net	9	4,688	2,620
Non-current accounts receivable (net of allowance for doubtful accounts of USD 1,562 thousand and USD 2,036 thousand at September 30, 2004 and December 31, 2003 respectively)		5,432	7,477
Non-current portion of deferred income tax asset (net of valuation allowance of USD 25,139 thousand and USD 26,192 thousand at September 30, 2004 and December 31, 2003 respectively)	16	-	24
Total assets	21	1,135,982	893,728
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	15	11,720	12,068
Current portion of capital lease liabilities	14	314	392
Trade accounts payable	10	47,846	29,754
Accounts payable to/advances received from related parties	22	184,396	150,327
Advances received	11	4,672	3,136
Taxes payable and accrued taxes	12	74,603	32,779
Other current liabilities	13	10,136	12,172
Total current liabilities		333,687	240,628
Long-term debt, net of current maturities	15	467,125	475,636
Capital lease liabilities, net of current maturities	14	376	692
Subsidies		4,977	5,010
Non-current portion of deferred income tax liability	16	309	309
Total liabilities		806,474	722,275
Minority interest		720	906
Ordinary shares (707,454,130 authorized and issued at September 30, 2004 and December 31, 2003; nominal value – LTL 1 per share)		181,366	181,366
Additional paid in capital	19	72,752	87,613
Revaluation reserve		109	109
Accumulated other comprehensive income		3,016	3,298
Accumulated surplus (deficit)		71,545	(101,839)
Total shareholders' equity		328,788	170,547
Commitments and contingent liabilities	20	-	-
Total liabilities and shareholders' equity		1,135,982	893,728

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 U.S. Dollars, except as indicated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2004	2003	2004	2003
Sales and other operating revenues*	21	812,593	487,902	1,902,454	1,204,834
Operating costs and other deductions					
Cost of sales, excluding depreciation and amortization		(652,991)	(418,120)	(1,518,962)	(1,015,152)
Selling and distribution expenses, excluding depreciation and amortization		(40,785)	(25,562)	(115,084)	(64,688)
General and administrative expenses, excluding depreciation and amortization		(10,437)	(13,932)	(36,513)	(43,571)
Depreciation and amortization	21	(9,561)	(8,551)	(28,441)	(24,041)
Total operating costs and other deductions		(713,774)	(466,165)	(1,699,000)	(1,147,452)
Other income (expenses)					
(Loss) income from equity affiliates		(25)	29	(42)	(26)
Interest income	21	1,084	263	2,056	925
Interest expense	21	(6,524)	(7,437)	(19,863)	(27,947)
Exchange gain (loss), net		1,364	(357)	531	7,243
Write-down of long-term investments		-	-	-	(500)
Other expenses, net		(222)	-	(176)	(102)
Total other expenses, net		(4,323)	(7,502)	(17,494)	(20,407)
Income before income tax and minority interest		94,496	14,235	185,960	36,975
Income tax					
Current income tax expense		(18,377)	-	(27,040)	-
Deferred income tax expense		(11)	-	(572)	-
Total income tax expense, net		(18,388)	-	(27,612)	-
Income before minority interest		76,108	14,235	158,348	36,975
Minority interest		31	80	175	346
Net income		76,139	14,315	158,523	37,321
Earnings per share (USD per share)					
Basic		0.11	0.02	0.22	0.05
Diluted		0.08	0.02	0.16	0.04
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		101,570	74,227	235,453	175,718

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 U.S. Dollars, except as indicated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2004	2003	2004	2003
Operating activities					
Net income		76,139	14,315	158,523	37,321
Adjustments to reconcile net income to cash provided by operations:					
Depreciation and amortization		9,561	8,551	28,441	24,041
Equity in losses (income) of associates		25	(29)	42	26
Minority interest		(31)	(80)	(175)	(346)
Loss on sales and retirements of property, plant and equipment and intangible assets		224	312	1,653	2,111
Impairment of investments		-	-	-	500
Allowance for inventory		1,000	-	2,000	-
Discounting of long-term receivables		(26)	(7)	(172)	(4)
Gain on sales of long-term investments		(61)	-	(61)	-
Changes in operating assets and liabilities:					
Trade accounts receivable and accounts receivable from related parties		(26,078)	(9,877)	(48,506)	26,492
Inventories		(18,387)	(8,574)	(46,062)	(32,124)
Other current assets		(21)	1,456	7,523	6,543
Trade accounts payable and accounts payable to related parties		40,655	42,563	51,156	29,844
Taxes payable, advances and other current liabilities		33,685	5,242	40,923	(3,800)
Net cash generated from operating activities		116,685	53,872	195,285	90,604
Investing activities					
Additions to property, plant and equipment and intangible assets	22	(4,426)	(16,253)	(18,373)	(67,637)
Proceeds from sales of property, plant and equipment		644	-	1,074	597
Proceeds from sales of long term investments		227	-	227	-
Distributions from investees		-	-	-	64
Net cash used for investing activities		(3,555)	(16,253)	(17,072)	(66,976)
Financing activities					
Net (repayments of) proceeds from short-term debt		(6,493)	102	21	(15,088)
Repayments of long-term debt		(3,048)	(6,618)	(9,003)	(12,288)
Proceeds from long-term loans		9	3,292	9	5,133
Principal payments of capital lease obligations		(221)	(64)	(386)	(357)
Change in long-term accounts receivable		(102)	17	(57)	(60)
Net cash used for financing activities		(9,855)	(3,271)	(9,416)	(22,660)
Effect of foreign exchange on cash balances		908	525	1,263	(184)
Net change in cash and cash equivalents		104,183	34,873	170,060	784
Cash and cash equivalents at beginning of period	3	161,452	33,005	107,664	48,113
Change in restricted cash	4	(4,258)	8,362	(16,347)	27,343
Cash and cash equivalents at end of period	3	261,377	76,240	261,377	76,240

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 U.S. Dollars, except as indicated)

	Number of ordinary shares issued Note (thousand)	Ordinary shares	Additional paid in capital	Revaluation reserve	Accumulated other comprehensive income	Accumulat- ed (deficit) surplus	Total shareholders' equity
Balance at December 31, 2003	707,454	181,366	87,613	109	3,298	(101,839)	170,547
Net income for the period	-	-	-	-	-	82,384	82,384
Other comprehensive loss, net of tax	-	-	-	-	(429)	-	(429)
Release from reserves to cover accumulated deficit	19	-	(14,861)	-	-	14,861	-
Balance at June 30, 2004	707,454	181,366	72,752	109	2,869	(4,594)	252,502
Net income for the period	-	-	-	-	-	76,139	76,139
Other comprehensive income, net of tax	-	-	-	-	147	-	147
Balance at September 30, 2004	707,454	181,366	72,752	109	3,016	71,545	328,788

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	76,139	14,315	158,523	37,321
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	147	(63)	(282)	642
Total comprehensive income	76,286	14,252	158,241	37,963

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

MAŽEIKIŲ NAFTA AB

Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in U.S. Dollars (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 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 Samaraneftegaz, 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 6.0 billion, and USD 6.0 billion 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.

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.

MAŽEIKIŲ NAFTA AB

Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in U.S. Dollars (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. 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 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.

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Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in U.S. Dollars (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.

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

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

Note 3: Cash and cash equivalents, net

	September 30, 2004	December 31, 2003
Short-term bank deposits	225,487	106,069
Cash in banks	43,532	9,256
Cash on hand	24	14
Total cash and cash equivalents	269,043	115,339
Less: allowance for cash held in Litimpeks Bank	(4,580)	(4,589)
allowance for cash held in Vneshekonombank	(3,086)	(3,086)
Total cash and cash equivalents, net	261,377	107,664

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 (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

	September 30, 2004	December 31, 2003
Non-current portion of restricted cash	12,699	23,715
Current portion of restricted cash	28,339	976
Total restricted cash	41,038	24,691

Restricted cash in the amount of USD 12,699 thousand as of September 30, 2004 (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, but the same restrictions apply.

Cash in certain bank accounts to a total amount of USD 20,000 thousand 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 (December 31, 2003: USD 976 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 U.S. Dollars (tabular amounts in thousands))

Note 5: Trade accounts receivable, net

	September 30, 2004	December 31, 2003
Oil refinery	66,641	67,716
Retail network operators	1,067	739
Oil terminal	512	921
Pipeline operator	46	806
Non-production units	3	13
Total gross trade accounts receivable	68,269	70,195
Less: allowance for doubtful trade accounts receivable	(16,816)	(17,738)
Total trade accounts receivable, net	51,453	52,457

Note 6: Inventories

	September 30, 2004	December 31, 2003
Finished goods and goods for resale	93,914	66,411
Raw and supplementary materials	29,316	20,120
Spare parts and other	25,220	20,863
Semi-manufactures	15,417	9,959
Assets held for resale	603	44
Less: allowance for slow moving spare parts and other inventory	(2,000)	-
Total inventories	162,470	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

	September 30, 2004	December 31, 2003
Prepaid and recoverable taxes	3,599	3,927
Advances to suppliers (net of allowances for doubtful accounts of USD 488 thousand and USD 503 thousand at September 30, 2004 and December 31, 2003 respectively)	2,391	1,206
Accrued income and deferred expenses	642	6,754
Other current assets (net of allowances for doubtful accounts of USD 1,198 thousand and USD 1,208 thousand at September 30, 2004 and December 31, 2003 respectively)	398	435
Total other current assets, net	7,030	12,322

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

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

Note 8: Property, plant and equipment, net

	September 30, 2004	December 31, 2003
Machinery and equipment	652,851	621,725
Other tangible assets	86,853	84,283
Buildings	86,070	88,339
Pipeline fill	8,531	8,326
Construction in progress and prepayments	30,948	51,771
Total property, plant and equipment at cost	865,253	854,444
Less: accumulated depreciation	(350,661)	(324,165)
Total property, plant and equipment, net	514,592	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.

Note 9: Intangible assets, net

	September 30, 2004	December 31, 2003
Patents and licenses	5,908	5,843
Prepayments for patents and licenses	3,498	1,229
Total intangible assets at cost	9,406	7,072
Less: accumulated amortization	(4,718)	(4,452)
Total intangible assets, net	4,688	2,620

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	46,758	27,293
Retail network operator	578	854
Oil terminal	397	1,372
Pipeline operator	100	193
Non-production units	13	42
Total trade accounts payable	47,846	29,754

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

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

Note 11: Advances received

	September 30, 2004	December 31, 2003
Oil refinery	3,672	2,593
Pipeline operator	903	213
Retail network operator	96	100
Oil terminal	1	215
Non-production units	-	15
Total advances received	4,672	3,136

Note 12: Taxes payable and accrued taxes

	September 30, 2004	December 31, 2003
Accrued profit tax	30,250	-
VAT payables	27,131	14,019
Excise tax	14,190	12,638
Natural persons income tax payable	1,171	1,006
Real estate	956	893
Profit tax payable	145	3,381
Other taxes	760	842
Total taxes payable and accrued taxes	74,603	32,779

Note 13: Other current liabilities

	September 30, 2004	December 31, 2003
Salaries and social security	3,443	3,620
Accrued claims from Oil terminal contractors	2,900	2,900
Accrued vacation pay	820	1,882
Accrued interest	632	666
Accrued professional fees	100	307
Other accrued expenses and short-term liabilities	2,241	2,797
Total other current liabilities	10,136	12,172

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

(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:

	September 30, 2004	December 31, 2003
Not later than 1 year	357	463
Later than 1 year and not later than 2 years	345	414
Later than 2 year and not later than 3 years	52	335
Later than 3 year and not later than 4 years	5	10
Net minimum lease payments	759	1,222
Less: Future finance charges on capital leases	(69)	(138)
Present value of capital lease liabilities	690	1,084

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	314	392
Capital lease liabilities, net of current maturities	376	692
Present value of capital lease liabilities	690	1,084

Note 15: Debt

	September 30, 2004	December 31, 2003
Long-term debt	478,667	487,541
Current portion of long-term debt	(11,542)	(11,905)
Non-current portion of long-term debt	467,125	475,636
Current portion of long-term debt	11,542	11,905
Overdraft	178	163
Total short-term debt and current portion of long-term debt	11,720	12,068

In February 2004 the Company signed an overdraft agreement for PLN 30 million (equivalent to USD 8,481 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. 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 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 (equivalent to USD 178 thousand as of September 30, 2004) 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 (equivalent to USD 178 thousand as of September 30, 2004).

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 September 30, 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 +0.875%	06/06	7,235	1,809
Kreditanstalt fur Wiederaufbau	Semi-annually	8.065%	09/06	2,444	611
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	4,294	759
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	11,855	3,133
Kreditanstalt fur Wiederaufbau	Semi-annually	6 months LIBOR +0.875%	12/06	17,395	4,181
Hansabankas AB	Semi-annually	6 months LIBOR +0.900%	01/09	50,000	23,684
Petrol stations					
Karina International Ltd.	Monthly	9.000%	05/05	400	279
Bankas Snoras AB	Monthly	7.000%	05/08	6,411	5,266
Trading houses					
Nordea Bank Finland Plc	Monthly	3.900%	12/06	24	18
Less: current portion of long-term debt					(11,542)
Total long term debt					467,125

* - 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 Lit.

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 their property, plant and equipment with net book value of approx. USD 14,132 thousand as of September 30, 2004.

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Notes To Interim Condensed Consolidated Financial Statements (UNAUDITED)

(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	2,626	11,552	10,027	6,926	5,977	441,559	478,667

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 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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(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 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 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 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 or 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 was made.

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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.

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 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 (equivalent to USD 264 thousand as of September 30, 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 2,676 thousand as of September 30, 2004). As of September 30, 2004, the Company had a receivable from Klevo Lapas UAB amounting to LTL 5,298 thousand (equivalent of USD 1,890 thousand as of September 30, 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 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 (equivalent to USD 4,995 thousand as of September 30, 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 143 thousand as of September 30, 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 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.

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

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

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 as of September 30, 2004.

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Operating lease commitments – the Company is lessee

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	411
2006	410
2007	286
2008	123
2009 and later years	677
Total operating lease commitments	1,907

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 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 September 30, 2004

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	793,738	8,649	7,205	5,767	400	(3,166)	812,593
Depreciation and amortization	(6,084)	(1,931)	(1,062)	(444)	(40)	-	(9,561)
Segment operating profit (loss)	93,616	2,835	4,541	(902)	(375)	(896)	98,819
Interest revenue	1,081	-	-	2	1	-	1,084
Interest expense	(4,060)	(2,363)	-	(101)	-	-	(6,524)
Segment assets	886,471	225,504	17,469	23,295	1,065	(17,822)	1,135,982
Additions to segment assets	2,992	-	428	980	26	-	4,426

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

Three-month period ended September 30, 2003

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	465,142	12,185	8,294	5,303	459	(3,481)	487,902
Depreciation and amortization	(5,163)	(1,631)	(1,265)	(458)	(34)	-	(8,551)
Segment operating profit (loss)	13,560	4,612	3,874	(324)	27	(12)	21,737
Interest revenue	261	-	-	2	-	-	263
Interest expense	(4,665)	(2,617)	-	(155)	-	-	(7,437)
Segment assets	581,115	222,993	18,965	21,763	1,642	(12,673)	833,805
Additions to segment assets	15,981	13	128	104	27	-	16,253

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	1,835,979	35,979	22,837	14,346	1,103	(7,790)	1,902,454
Depreciation and amortization	(18,246)	(5,478)	(3,259)	(1,330)	(128)	-	(28,441)
Segment operating profit (loss)	175,904	16,870	14,141	(1,968)	(125)	(1,368)	203,454
Interest revenue	2,040	1	9	4	2	-	2,056
Interest expense	(12,336)	(7,181)	-	(346)	-	-	(19,863)
Segment assets	886,471	225,504	17,469	23,295	1,065	(17,822)	1,135,982
Additions to segment assets	14,612	1,834	502	1,382	43	-	18,373

Nine-month period ended September 30, 2003

	Oil refinery	Oil terminal	Pipeline operator	Petrol stations	Other	Intersegment balances	Total
Revenues	1,127,507	43,128	26,051	14,971	1,194	(8,017)	1,204,834
Depreciation and amortization	(13,844)	(5,303)	(3,405)	(1,348)	(141)	-	(24,041)
Segment operating profit (loss)	23,241	21,040	15,000	(1,319)	(633)	53	57,382
Interest revenue	923	-	-	2	-	-	925
Interest expense	(17,861)	(9,625)	-	(461)	-	-	(27,947)
Segment assets	581,115	222,993	18,965	21,763	1,642	(12,673)	833,805
Additions to segment assets	65,994	805	300	491	47	-	67,637

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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 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)	76,691	35,224
Petroval SA (acting as a customer)	6,855	-
Yukos Group*	2,172	728
Naftelf UAB	521	403
Total accounts receivable from related parties, net	86,239	36,355
	September 30, 2004	December 31, 2003
Accounts payable (including accruals) to related parties		
Yukos Group (crude oil purchases, management fee, accrual for claim)	157,600	129,337
Petroval SA (crude oil purchases, commission fee and compensation of expenses)	26,740	20,357
Naftelf UAB	-	37
Total accounts payable (including accruals) to related parties	184,340	149,731
Advances received from related parties		
Yukos Group	-	500
Petroval SA	-	9
Naftelf UAB	-	23
Total advances received from related parties	-	532
Accrued interest payable		
Government of the Republic of Lithuania	56	64
Total accounts payable to/advances received from related parties	184,396	150,327
	September 30, 2004	December 31, 2003
Loans received from related parties		
Government of the Republic of Lithuania	288,927	288,927

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	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Sales of products and services to related parties:				
Yukos Group	1,325	9,925	13,719	29,929
Naftelf UAB	3,180	2,121	7,394	5,369
Petroval SA	46,656	-	58,262	-
Interest on borrowings from related parties				
Government of the Republic of Lithuania	5,169	6,067	16,100	20,594
Yukos Group	-	416	-	7,958
Crude oil and services purchases from related parties:				
Yukos Group (purchase of crude oil and management fee)	463,304	367,127	1,124,029	845,768
Petroval SA (commission fee and purchase of crude oil)	79,064	25,287	180,827	64,393

*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 USD 1,023 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, 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.