

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

<b>CONTENTS</b>	<b>Pages</b>
REVIEW REPORT .....	3
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET .....	4
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT .....	5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY .....	6 -7
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT .....	8
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION .....	9 - 27

## Review Report

To the Shareholders and the Board of Directors of Mažeikių Nafta AB

1. We have reviewed the accompanying condensed consolidated interim balance sheet of Mažeikių Nafta AB (hereinafter “the Company”) and its consolidated subsidiaries (hereinafter together “the Group”) as at 31 March 2006, and the related condensed consolidated interim statements of income, cash flows and changes in equity for the three months then ended. This condensed consolidated interim financial information is the responsibility of the Company's management. Our responsibility is to issue a report on this condensed consolidated interim financial information based on our review.
2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed consolidated interim financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. In October 2005, the Group acquired subsidiary Mažeikių Elektrinė AB. Through this business combination the Group acquired allowances to emit 2,651,020 tons of carbon dioxide in 2005 – 2007. These allowances and the related liabilities for the actual emissions made until the date of acquisition have not been recognised in the balance sheet of the Group. In accordance with International Financial Reporting Standard No. 3 “Business Combinations” the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date. In our opinion, the Group should have recognised the above allowances and related liabilities at the date of acquisition of subsidiary and subsequently should have recognised liabilities and related expenses for the actual emissions of carbon dioxide made between the date of acquisition and 31 March 2006. As a result, the Group's total assets and minority interest in the balance sheet as at 31 March 2006 should be increased by USD 62,574 thousand or LTL 179,217 thousand and USD 9,141 thousand or LTL 26,182 thousand respectively (31 December 2005: USD 65,182 thousand or LTL 189,694 thousand and USD 9,514 thousand or LTL 27,688 thousand respectively), retained earnings increased by USD 53,432 thousand or LTL 153,412 thousand (31 December 2005: USD 55,668 thousand or LTL 159,831 thousand), whilst profit for the three month period then ended should be decreased by USD 2,609 thousand or LTL 7,489 thousand (31 March 2005: nil) and its part attributable to minority interest decreased by USD 374 thousand or LTL 1,069 thousand (31 March 2005: nil). In addition, in the financial information presented in LTL the cumulative translation adjustment should be decreased by LTL 376 thousand as at 31 March 2006 (31 December 2005: increased by LTL 2,175 thousand).
4. Based on our review, except for the effect on the financial information of the matter described in paragraph 3, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard No. 34 “Interim Financial Reporting”.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler  
Partner  
Vilnius, Republic of Lithuania  
31 May 2006

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Condensed consolidated interim balance sheet**

	Note	As at 31 March 2006		As at 31 December 2005	
		USD	LTL	USD	LTL
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	512,847	1,468,846	509,016	1,481,336
Intangible assets	6	3,608	10,332	3,916	11,396
Goodwill		1,871	5,361	1,842	5,361
Investments in associates		1,300	3,723	1,262	3,672
Deferred income tax assets		21,623	61,931	20,891	60,798
Available-for-sale financial assets		-	-	1	3
Non-current receivables and prepayments		32,865	94,125	27,997	81,478
		<u>574,114</u>	<u>1,644,318</u>	<u>564,925</u>	<u>1,644,044</u>
<b>Current assets</b>					
Inventories	7	239,406	685,684	257,119	748,268
Trade and other receivables	8	463,820	1,328,428	144,607	420,836
Prepaid current income tax		6,902	19,767	165	480
Cash and cash equivalents	9	368,598	1,055,702	637,813	1,856,164
		<u>1,078,726</u>	<u>3,089,581</u>	<u>1,039,704</u>	<u>3,025,748</u>
Non-current assets classified as held for sale		859	2,460	953	2,773
		<u>1,079,585</u>	<u>3,092,041</u>	<u>1,040,657</u>	<u>3,028,521</u>
<b>Total assets</b>		<u>1,653,699</u>	<u>4,736,359</u>	<u>1,605,582</u>	<u>4,672,565</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	10	181,366	707,454	181,366	707,454
Share premium		72,752	283,040	72,752	283,040
Reserves		13,603	36,526	13,603	36,526
Cumulative translation adjustment		1,765	(61,203)	1,457	(30,716)
Retained earnings		450,618	1,096,634	404,069	963,006
		<u>720,104</u>	<u>2,062,451</u>	<u>673,247</u>	<u>1,959,310</u>
<b>Minority interest</b>		974	2,790	836	2,433
<b>Total equity</b>		<u>721,078</u>	<u>2,065,241</u>	<u>674,083</u>	<u>1,961,743</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	12	451,431	1,292,943	454,076	1,321,452
Other non-current liabilities		8,418	24,110	8,506	24,754
Provisions for other liabilities and charges		11,504	32,949	11,322	32,949
		<u>471,353</u>	<u>1,350,002</u>	<u>473,904</u>	<u>1,379,155</u>
<b>Current liabilities</b>					
Trade and other payables	11	398,552	1,141,490	395,457	1,150,833
Current income tax liabilities		37,307	106,851	36,879	107,325
Borrowings	12	9,785	28,025	9,812	28,555
Provisions for other liabilities and charges		15,624	44,750	15,447	44,954
		<u>461,268</u>	<u>1,321,116</u>	<u>457,595</u>	<u>1,331,667</u>
<b>Total liabilities</b>		<u>932,621</u>	<u>2,671,118</u>	<u>931,499</u>	<u>2,710,822</u>
<b>Total equity and liabilities</b>		<u>1,653,699</u>	<u>4,736,359</u>	<u>1,605,582</u>	<u>4,672,565</u>

The General Director and the Chief Financial Officer approved the condensed consolidated interim financial information on pages 4 to 27 on 31 May 2006.

Paul Nelson English  
General Director

Vita Petrošienė  
Chief Financial Officer

The notes on pages 9 to 27 are an integral part of the condensed consolidated interim financial information.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Condensed consolidated interim income statement**

	Note	Three months ended 31 March			
		2006		2005	
		USD	LTL	USD	LTL
Sales	4	1,140,375	3,273,674	838,052	2,202,569
Cost of sales	13	(1,012,637)	(2,906,977)	(670,259)	(1,761,575)
<b>Gross profit</b>		127,738	366,697	167,793	440,994
Other income		276	793	370	972
Selling and marketing costs	13	(54,396)	(156,155)	(52,593)	(138,225)
Administrative expenses	13	(17,204)	(49,387)	(14,665)	(38,542)
<b>Operating profit</b>		56,414	161,948	100,905	265,199
Finance income		5,569	15,986	2,400	6,308
Finance costs		(6,637)	(19,051)	(8,994)	(23,636)
Share of profit of associates		18	51	26	68
<b>Profit before income tax</b>		55,364	158,934	94,337	247,939
Income tax expense	14	(8,689)	(24,944)	(11,607)	(30,506)
<b>Profit for the period</b>		46,675	133,990	82,730	217,433
<b>Attributable to:</b>					
Equity holders of the Company		46,549	133,628	83,233	218,753
Minority interest		126	362	(503)	(1,320)
		46,675	133,990	82,730	217,433
<b>Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in USD or LTL per share)</b>					
– basic / diluted	15	0.066	0.189	0.118	0.309

The notes on pages 9 to 27 are an integral part of the condensed consolidated interim financial information.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Condensed consolidated interim statement of changes in equity (in USD'000)**

	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital	Share premium	Statutory revaluation reserve	Legal reserve	Cumulative translation adjustments	Retained earnings		
<b>Balance at 1 January 2005</b>	181,366	72,752	109	-	4,344	190,756	686	450,013
Currency translation differences recognised directly in equity	-	-	-	-	(792)	-	(18)	(810)
Profit for the period	-	-	-	-	-	83,233	(503)	82,730
<b>Total recognised income for the period</b>	-	-	-	-	(792)	83,233	(521)	81,920
Other	-	-	-	-	-	-	447	447
<b>Balance at 31 March 2005</b>	181,366	72,752	109	-	3,552	273,989	612	532,380
<b>Balance at 1 April 2005</b>	181,366	72,752	109	-	3,552	273,989	612	532,380
Currency translation differences recognised directly in equity	-	-	-	-	(2,095)	-	297	(1,798)
Profit for the period	-	-	-	-	-	236,245	(252)	235,993
<b>Total recognised income for the period</b>	-	-	-	-	(2,095)	236,245	45	234,195
Minority interest arising on business combinations	-	-	-	-	-	-	794	794
Transfer to legal reserve	-	-	-	13,494	-	(13,494)	-	-
Dividend relating to 2004	-	-	-	-	-	(92,671)	-	(92,671)
Other	-	-	-	-	-	-	(615)	(615)
<b>Balance at 31 December 2005</b>	181,366	72,752	109	13,494	1,457	404,069	836	674,083
<b>Balance at 1 January 2006</b>	181,366	72,752	109	13,494	1,457	404,069	836	674,083
Currency translation differences recognised directly in equity	-	-	-	-	308	-	12	320
Profit for the period	-	-	-	-	-	46,549	126	46,675
<b>Total recognised income for the period</b>	-	-	-	-	308	46,549	138	46,995
<b>Balance at 31 March 2006</b>	181,366	72,752	109	13,494	1,765	450,618	974	721,078

The notes on pages 9 to 27 are an integral part of the condensed consolidated interim financial information.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Condensed consolidated interim statement of changes in equity (in LTL'000)**

	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital	Share premium	Statutory revaluation reserve	Legal reserve	Cumulative translation adjustments	Retained earnings		
Currency translation differences recognised directly in equity	-	-	-	-	57,160	-	22	57,182
Profit for the period	-	-	-	-	-	218,753	(1,320)	217,433
<b>Total recognised income for the period</b>	-	-	-	-	57,160	218,753	(1,298)	274,615
Other	-	-	-	-	-	-	1,190	1,190
<b>Balance at 31 March 2005</b>	707,454	283,040	437	-	(153,892)	577,693	1,631	1,416,363
<b>Balance at 1 April 2005</b>	707,454	283,040	437	-	(153,892)	577,693	1,631	1,416,363
Currency translation differences recognised directly in equity	-	-	-	-	123,176	-	882	124,058
Profit for the period	-	-	-	-	-	669,011	(730)	668,281
<b>Total recognised income for the period</b>	-	-	-	-	123,176	669,011	152	792,339
Minority interest arising on business combinations	-	-	-	-	-	-	2,282	2,282
Transfer to legal reserve	-	-	-	36,089	-	(36,089)	-	-
Dividend relating to 2004	-	-	-	-	-	(247,609)	-	(247,609)
Other	-	-	-	-	-	-	(1,632)	(1,632)
<b>Balance at 31 December 2005</b>	707,454	283,040	437	36,089	(30,716)	963,006	2,433	1,961,743
<b>Balance at 1 January 2006</b>	707,454	283,040	437	36,089	(30,716)	963,006	2,433	1,961,743
Currency translation differences recognised directly in equity	-	-	-	-	(30,487)	-	(5)	(30,492)
Profit for the period	-	-	-	-	-	133,628	362	133,990
<b>Total recognised income for the period</b>	-	-	-	-	(30,487)	133,628	357	103,498
<b>Balance at 31 March 2006</b>	707,454	283,040	437	36,089	(61,203)	1,096,634	2,790	2,065,241

The notes on pages 9 to 27 are an integral part of the condensed consolidated interim financial information.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Condensed consolidated interim cash flow statement**

	Note	Three months ended 31 March			
		2006		2005	
		USD	LTL	USD	LTL
<b>Cash flows from operating activities</b>					
Cash generated from operations	16	(42,121)	(140,889)	161,378	481,945
Interest paid		(7,720)	(22,203)	(6,846)	(18,092)
Income tax paid		(16,243)	(46,499)	-	-
Net cash (used in) generated from operating activities		(66,084)	(209,591)	154,532	463,853
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment		(21,342)	(60,718)	(12,246)	(32,181)
Change in cash restricted for investing activities		-	-	10,126	26,613
Proceeds from sale of property, plant and equipment		319	915	-	-
Proceeds from sale of non-current assets classified as held for sale		149	424	129	340
Purchases of intangible assets		(314)	(722)	(135)	(354)
Proceeds from sale of available-for-sale financial assets		-	-	18	45
Interest received		5,569	15,976	2,300	6,045
Net cash (used in) generated from investing activities		(15,619)	(44,125)	192	508
<b>Cash flows from financing activities</b>					
Repayments of borrowings		(2,786)	(7,998)	(2,940)	(7,727)
Finance lease principal payments		(83)	(238)	(116)	(221)
Contribution of minority shareholders to the share capital of subsidiary		-	-	3	7
Net cash used in financing activities		(2,869)	(8,236)	(3,053)	(7,941)
<b>Net (decrease) increase in cash and bank overdrafts</b>					
Cash and bank overdrafts at beginning of period	9	637,813	1,856,164	382,434	969,282
Exchange gains/(losses) on cash and bank overdrafts		955	(6,939)	(2,350)	(8,840)
<b>Cash and bank overdrafts at end of period</b>	9	<b>554,196</b>	<b>1,587,273</b>	<b>531,755</b>	<b>1,416,862</b>

The notes on pages 9 to 27 are an integral part of the condensed consolidated interim financial information.



**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**Notes to the condensed consolidated interim financial information**

**1. General information**

Mažeikių Nafta AB (hereinafter “the Company”) was originally established in 1980 to refine crude oil and market refined oil products. In 1995, the Company was reorganised into a public company following a partial privatisation by the Company’s employees. In 1998, the Company merged with Būtingės Nafta AB, an oil terminal operator, and Naftotiekis AB, a pipeline operator.

The Company is a limited liability company incorporated and domiciled in Lithuania. The address of its registered office is Juodeikiai, LT-89467 Mažeikių raj., Lithuania.

The Company has its primary listing on the Vilnius Stock Exchange (Lithuania).

As at 31 March 2006 and 31 December 2005 the Company’s two primary shareholders were Yukos International UK B.V. (part of the Yukos Group) with 53.7 percent and the Government of the Republic of Lithuania (hereinafter “the Government”) with 40.7 percent of shares. The remaining shares are widely held.

*The consolidated group*

The consolidated group (hereinafter “the Group”) consists of the Company and its eight subsidiaries (December 2005: nine subsidiaries) and one associate. The subsidiaries and associate included in the Group’s consolidated financial statements are listed below:

Subsidiary / associate	Country of incorporation	Year of establishment /acquisition	Group’s share (%) as at		Profile
			31 March 2006	31 December 2005	
<i>Subsidiaries</i>					
Uotas UAB	Lithuania	2002	100	100	The entity is under liquidation process.
Ventus Nafta AB	Lithuania	2002	98.59	98.59	Retail of refined oil products
Mažeikių Naftos Prekybos Namai UAB	Lithuania	2003	100	100	The Company’s sales commissioner in Lithuania
Mazeikiu Nafta Tirdniecibas Nams SIA	Latvia	2003	100	100	Wholesale of refined oil products in Latvia
Mazeikiu Nafta Trading House OU	Estonia	2003	100	100	Wholesale of refined oil products in Estonia
Mazeikiu Nafta Trading House Sp.z.o.o.	Poland	2003	100	100	Wholesale of refined oil products in Poland
Biržietiška Aibė UAB	Lithuania	1999	-	100	The entity was liquidated in January 2006.
Juodeikių Nafta UAB	Lithuania	1995	100	100	Filling of tanks with oil products
Mažeikių Elektrinė AB	Lithuania	2005	85.72	85.72	Manufacture, supply and distribution of electricity and thermal energy
<i>Associates</i>					
Naftelf UAB	Lithuania	1996	34	34	Sales of aviation fuel and construction of aviation fuel storage facilities

---

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

---

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**1. General information (continued)**

*Current situation at the Yukos Group*

As a result of numerous claims issued by the Russian tax authorities during 2003 and 2004, the Yukos Group has been placed in serious financial and operating difficulties. As a consequence as at the date of this condensed consolidated interim financial information, the Yukos Group is in the process of selling its shareholding in the Company. In addition to being the Company's major shareholder, the Yukos Group has in the past been its major supplier of crude oil based on long term supply agreements.

*(1) Sale of shares*

In May 2006 Yukos International UK B.V. signed a preliminary share sale-purchase agreement with PKN Orlen (Poland) for the sale of 53.7 percent of the Company's shares. In order to complete the deal PKN Orlen will need to get approval from the Government, the Parliament of the Republic of Lithuania and the European Commission for the purchase of the Company's shares.

*(2) Supply of crude oil*

In February 2005, the Yukos Group suspended crude oil supplies to the Group. However, management has taken steps to ensure the continuity of supply by signing agreements with several separate oil traders and 9 million tons of crude oil were delivered to the refinery during 2005. The management plans that approximately 8.6 million tons will be delivered to the refinery in 2006. Crude is being sourced from three main producers: Lukoil, TNK-BP and Tomksneft.

Although the Company has been successful in maintaining crude oil delivery, the Company is dependent on receiving its crude oil deliveries from pipelines carrying oil through the Russian Federation. A significant and lengthy disruption of crude supply would have material adverse effects on the Group's financial position, results of operations and liquidity. However, the management believes that based on its actions and the Group's capital, financing and operating plans for 2006 there will be no material adverse impact on the Group of the operating difficulties being experienced by the Yukos Group.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

This 31 March 2006 condensed consolidated interim financial information of the Group is for the three months ended 31 March 2006. It has been prepared in accordance with IAS 34, Interim Financial Reporting and IAS 34, Interim Financial Reporting applied in the context of the IFRSs as adopted by the European Union.

All International Financial Reporting Standards issued by the IASB and effective at the time of preparing this condensed consolidated interim financial information have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement, and amendment to IAS 21, Net Investment in Foreign Operation. Following recommendations from the Accounting Regulatory Committee, the Commission adopted Regulations 2086/2004 and 1864/2005 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the Group is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39, and the amendment to IAS 21, the accompanying condensed consolidated interim financial information complies with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB.

---

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

---

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

## **2.1 Basis of preparation (continued)**

The same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial information as in the annual consolidated financial statements for the year ended 31 December 2005. These policies have been consistently applied to all the periods presented. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2005 became effective for the Group from 1 January 2006. They have not significantly affected the condensed consolidated interim financial information of the Group.

This condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

### *Correction of errors*

In preparing its consolidated financial statements for the year ended 31 December 2005 the Group discovered an error made in its consolidated interim financial statements for the three month period ended 31 March 2005 related to the recognition of deferred tax asset on transition to IFRS. As a result of correction of error, the Group's retained earnings as at 1 January 2005 and 31 March 2005 increased by USD 16,631 thousand or LTL 42,151 thousand.

## **2.2 Interim measurement note**

### *(a) Seasonality of the business*

The activities of the Group mostly depend on the supply of the crude oil and seasonal fluctuations are eliminated by the crude oil supply constraint. The Group produces and sells as much products as it receives crude oil. If the oil refinery worked in full capacity, the business of the Group would be affected by the seasonal fluctuations.

### *(b) Current income tax*

Current income tax expense is recognised in this condensed consolidated interim financial information based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

### *(c) Costs*

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

---

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

---

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

### **3. Critical accounting estimates and assumptions**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *(a) Income taxes*

The Investment Agreement, signed between the Company, the Government and Williams International Company (replaced by Yukos Finance B.V.) guaranteed that starting from 29 October 1999 the corporate income tax rates payable by the Company will not be increased for the period of 10 years and no new taxes will be imposed on the Company. If the Government fails to ensure for at least for a period of 10 years application of the above conditions, 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. In 2005, the Law on Social Tax was adopted, which provides that the tax base for this tax is taxable profit calculated in accordance with the procedure stipulated in the Lithuanian Law on Corporate Profit Tax. Social tax rates are set at 4% for 2006 and 3% for 2007. At the date of the issuance of this condensed consolidated interim financial information the Company has not received explanation from the tax authorities if social tax will be treated as new tax or increase in corporate profit tax rate. If social tax is treated as increase in corporate profit tax rate, it will be payable by the Company because the increased corporate profit tax rate still will be lower than that on the date when Investment Agreement was signed. Following the principle of prudence the Company calculated and accounted for the social tax amounting to USD 2,107 thousand or LTL 6,049 thousand for the three month period ended 31 March 2006. If the tax authorities treat social tax as a new tax, income tax expenses will have to be reduced by USD 2,107 thousand or LTL 6,049 thousand.

#### *(b) Reimbursement for environmental obligations*

In the production process the oil refinery causes contamination. A provision amounting to USD 10,981 thousand or LTL 31,451 thousand was recognised as at 31 December 2005 for the total costs to be incurred for the treatment of the waste which was accumulated before 1999. The Group recognised related reimbursement for environmental obligations as a receivable from the Government because according to the Investment Agreement signed between the Company, the Government and Williams International Company (replaced by Yukos Finance B.V.) the Government committed itself to compensate all losses to the strategic investor and the Company incurred before the privatisation. If the Investment Agreement is terminated as a result of changes in the shareholders of the Company, this may impact the reimbursement receivable from the Government.

#### *(c) Accounts receivable from sales commissioner*

In 2005 and 2006, the majority of sales of refined oil products, except for domestic sales and sales to Latvia, Estonia and Poland were made through sales commissioner Petroval PTE, an entity related to the Yukos Group. Trade receivables from Petroval PTE amounted to USD 197,443 thousand or LTL 565,498 thousand as at 31 March 2006 (Note 19). Negative changes in relationships with the Yukos Group could have an adverse impact on the recoverability of receivables. The management believes that all receivables outstanding will be collected.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**4. Segment information**

*Primary reporting format – business segments*

The Group 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 Group owns an import-export oil terminal in Būtingė on the Baltic sea coast. The pipeline segment consists of part of the Družba pipeline in the territory 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 terminal in Būtingė and crude oil and refined oil products to a terminal in Ventspils, Latvia. The Group owns approximately 30 petrol stations in Lithuania.

The Group allocates costs between segments directly.

The segment results for the three months ended 31 March 2006 were as follows:

**USD**

	<b>Oil refinery</b>	<b>Oil terminal</b>	<b>Pipeline</b>	<b>Petrol stations</b>	<b>Other</b>	<b>Group</b>
Total gross segment sales	1,125,507	4,820	6,255	8,612	250	1,145,444
Inter-segment sales	(4,822)	-	-	-	(247)	(5,069)
<b>Sales</b>	<b>1,120,685</b>	<b>4,820</b>	<b>6,255</b>	<b>8,612</b>	<b>3</b>	<b>1,140,375</b>
Operating profit / segment result	58,538	(6,047)	4,165	(191)	(51)	56,414
Finance income						5,569
Finance costs						(6,637)
Share of profit of associates	18	-	-	-	-	18
<b>Profit before income tax</b>						<b>55,364</b>
Income tax expense (Note 14)						(8,689)
<b>Profit for the period</b>						<b>46,675</b>

**LTL**

	<b>Oil refinery</b>	<b>Oil terminal</b>	<b>Pipeline</b>	<b>Petrol stations</b>	<b>Other</b>	<b>Group</b>
Total gross segment sales	3,230,993	13,837	17,956	24,722	718	3,288,226
Inter-segment sales	(13,843)	-	-	-	(709)	(14,552)
<b>Sales</b>	<b>3,217,150</b>	<b>13,837</b>	<b>17,956</b>	<b>24,722</b>	<b>9</b>	<b>3,273,674</b>
Operating profit / segment result	168,045	(17,359)	11,956	(548)	(146)	161,948
Finance income						15,986
Finance costs						(19,051)
Share of profit of associates	51	-	-	-	-	51
<b>Profit before income tax</b>						<b>158,934</b>
Income tax expense (Note 14)						(24,944)
<b>Profit for the period</b>						<b>133,990</b>

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**4. Segment information (continued)**

The segment results for the three months ended 31 March 2005 were as follows:

**USD**

	<b>Oil refinery</b>	<b>Oil terminal</b>	<b>Pipeline</b>	<b>Petrol stations</b>	<b>Other</b>	<b>Group</b>
Total gross segment sales	823,416	5,637	6,191	5,259	256	840,759
Inter-segment sales	(2,451)	-	-	-	(256)	(2,707)
<b>Sales</b>	<b>820,965</b>	<b>5,637</b>	<b>6,191</b>	<b>5,259</b>	<b>-</b>	<b>838,052</b>
Operating profit / segment result	97,474	(533)	3,723	582	(341)	100,905
Finance income						2,400
Finance costs						(8,994)
Share of profit of associates	26	-	-	-	-	26
<b>Profit before income tax</b>						<b>94,337</b>
Income tax expense (Note 14)						(11,607)
<b>Profit for the period</b>						<b>82,730</b>

**LTL**

	<b>Oil refinery</b>	<b>Oil terminal</b>	<b>Pipeline</b>	<b>Petrol stations</b>	<b>Other</b>	<b>Group</b>
Total gross segment sales	2,164,103	14,815	16,271	13,822	673	2,209,684
Inter-segment sales	(6,442)	-	-	-	(673)	(7,115)
<b>Sales</b>	<b>2,157,661</b>	<b>14,815</b>	<b>16,271</b>	<b>13,822</b>	<b>-</b>	<b>2,202,569</b>
Operating profit / segment result	256,180	(1,400)	9,784	1,531	(896)	265,199
Finance income						6,308
Finance costs						(23,636)
Share of profit of associates	68	-	-	-	-	68
<b>Profit before income tax</b>						<b>247,939</b>
Income tax expense (Note 14)						(30,506)
<b>Profit for the period</b>						<b>217,433</b>

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**5. Property, plant and equipment**

<b>USD</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other PPE</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 1 January 2005</b>					
Cost	86,464	669,771	75,100	17,829	849,164
Accumulated depreciation and impairment	(30,817)	(290,689)	(29,847)	-	(351,353)
Net book amount	55,647	379,082	45,253	17,829	497,811
<b>Three months ended 31 March 2005</b>					
Opening net book amount at 1 January 2005	55,647	379,082	45,253	17,829	497,811
Exchange differences	(548)	(368)	(134)	(13)	(1,063)
Additions	135	152	10	12,018	12,315
Retirements	(41)	-	(3)	(101)	(145)
Transfers	664	(108)	591	(1,147)	-
Reversal of impairment charge	1,287	-	-	-	1,287
Depreciation charge	(595)	(7,322)	(1,749)	-	(9,666)
Closing net book amount at 31 March 2005	56,549	371,436	43,968	28,586	500,539
<b>Nine months ended 31 December 2005</b>					
Opening net book amount at 1 April 2005	56,549	371,436	43,968	28,586	500,539
Exchange differences	(1,061)	(540)	(220)	(27)	(1,848)
Acquisition of subsidiary	1,960	4,328	252	1,174	7,714
Additions	38	5,954	3,376	26,394	35,762
Disposals	(139)	(62)	(56)	-	(257)
Retirements	-	(376)	(2,169)	-	(2,545)
Transfers	266	6,422	69	(6,757)	-
Reclassification to non-current assets classified as held for sale	(937)	(10)	(5)	-	(952)
Reversal of impairment charge	124	-	-	117	241
Impairment charge	-	(58)	(72)	(1,463)	(1,593)
Depreciation charge	(1,842)	(21,405)	(4,798)	-	(28,045)
Closing net book amount at 31 December 2005	54,958	365,689	40,345	48,024	509,016
<b>At 31 December 2005</b>					
Cost	83,530	676,775	75,341	48,024	883,670
Accumulated depreciation and impairment	(28,572)	(311,086)	(34,996)	-	(374,654)
Net book amount	54,958	365,689	40,345	48,024	509,016
<b>Three months ended 31 March 2006</b>					
Opening net book amount at 1 January 2006	54,958	365,689	40,345	48,024	509,016
Exchange differences	207	162	35	14	418
Additions	-	246	1,244	16,164	17,654
Disposals	(129)	-	(14)	-	(143)
Retirements	(4)	(3)	(24)	(10)	(41)
Transfers	424	561	17	(1,002)	-
Reclassification to other assets	-	-	-	(103)	(103)
Depreciation charge	(621)	(11,749)	(1,584)	-	(13,954)
Closing net book amount at 31 March 2006	54,835	354,906	40,019	63,087	512,847
<b>At 31 March 2006</b>					
Cost	84,013	675,940	76,079	63,087	899,119
Accumulated depreciation and impairment	(29,178)	(321,034)	(36,060)	-	(386,272)
Net book amount	54,835	354,906	40,019	63,087	512,847

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**5. Property, plant and equipment (continued)**

<b>LTL</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other PPE</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 1 January 2005</b>					
Cost	219,143	1,697,535	190,341	45,187	2,152,206
Accumulated depreciation and impairment	(78,106)	(736,751)	(75,647)	-	(890,504)
Net book amount	141,037	960,784	114,694	45,187	1,261,702
<b>Three months ended 31 March 2005</b>					
Opening net book amount at 1 January 2005	141,037	960,784	114,694	45,187	1,261,702
Exchange differences	5,826	48,003	5,484	2,715	62,028
Additions	355	399	26	31,586	32,366
Retirements	(109)	-	(8)	(269)	(386)
Transfers	1,748	(251)	1,554	(3,051)	-
Reversal of impairment charge	3,382	-	-	-	3,382
Depreciation charge	(1,564)	(19,244)	(4,597)	-	(25,405)
Closing net book amount at 31 March 2005	150,675	989,691	117,153	76,168	1,333,687
<b>Nine months ended 31 December 2005</b>					
Opening net book amount at 1 April 2005	150,675	989,691	117,153	76,168	1,333,687
Exchange differences	10,734	88,583	9,711	8,429	117,457
Acquisition of subsidiary	5,629	12,430	724	3,372	22,155
Additions	108	17,066	9,518	74,737	101,429
Disposals	(396)	(175)	(158)	-	(729)
Retirements	-	(1,045)	(5,942)	-	(6,987)
Transfers	767	18,281	199	(19,247)	-
Reclassification to non-current assets classified as held for sale	(2,718)	(29)	(15)	-	(2,762)
Reversal of impairment charge	339	-	-	340	679
Impairment charge	-	(168)	(209)	(4,040)	(4,417)
Depreciation charge	(5,199)	(60,408)	(13,569)	-	(79,176)
Closing net book amount at 31 December 2005	159,939	1,064,226	117,412	139,759	1,481,336
<b>At 31 December 2005</b>					
Cost	243,089	1,969,548	219,257	139,759	2,571,653
Accumulated depreciation and impairment	(83,150)	(905,322)	(101,845)	-	(1,090,317)
Net book amount	159,939	1,064,226	117,412	139,759	1,481,336
<b>Three months ended 31 March 2006</b>					
Opening net book amount at 1 January 2006	159,939	1,064,226	117,412	139,759	1,481,336
Exchange differences	(1,939)	(16,318)	(1,757)	(2,273)	(22,287)
Additions	-	706	3,571	46,402	50,679
Disposals	(370)	-	(40)	-	(410)
Retirements	(11)	(9)	(69)	(29)	(118)
Transfers	1,217	1,610	49	(2,876)	-
Reclassification to other assets	-	-	-	(296)	(296)
Depreciation charge	(1,783)	(33,728)	(4,547)	-	(40,058)
Closing net book amount at 31 March 2006	157,053	1,016,487	114,619	180,687	1,468,846
<b>At 31 March 2006</b>					
Cost	240,622	1,935,960	217,898	180,687	2,575,167
Accumulated depreciation and impairment	(83,569)	(919,473)	(103,279)	-	(1,106,321)
Net book amount	157,053	1,016,487	114,619	180,687	1,468,846



**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**5. Property, plant and equipment (continued)**

As at 31 December 2005 property, plant and equipment with the net book value USD 2,096 thousand or LTL 6,003 thousand (December 2005: USD 2,031 thousand or LTL 5,911 thousand) was pledged as collateral for bank borrowings (Note 12).

**6. Intangible assets**

**USD**

	<b>Software</b>	<b>Patents and licences</b>	<b>Total</b>
<b>At 1 January 2005</b>			
Cost	7,952	6,057	14,009
Accumulated amortisation	(4,516)	(4,807)	(9,323)
Net book amount	<u>3,436</u>	<u>1,250</u>	<u>4,686</u>
<b>Three months ended 31 March 2005</b>			
Opening net book amount at 1 January 2005	3,436	1,250	4,686
Exchange differences	(6)	-	(6)
Additions	135	-	135
Amortisation charge	(236)	(102)	(338)
Closing net book amount at 31 March 2005	<u>3,329</u>	<u>1,148</u>	<u>4,477</u>
<b>Nine months ended 31 December 2005</b>			
Opening net book amount at 1 April 2005	3,329	1,148	4,477
Exchange differences	(8)	-	(8)
Additions	480	16	496
Amortisation charge	(742)	(307)	(1,049)
Closing net book amount at 31 December 2005	<u>3,059</u>	<u>857</u>	<u>3,916</u>
<b>At 31 December 2005</b>			
Cost	8,328	6,073	14,401
Accumulated amortisation	(5,269)	(5,216)	(10,485)
Net book amount	<u>3,059</u>	<u>857</u>	<u>3,916</u>
<b>Three months ended 31 March 2006</b>			
Opening net book amount at 1 January 2006	3,059	857	3,916
Exchange differences	7	-	7
Additions	69	-	69
Amortisation charge	(284)	(100)	(384)
Closing net book amount at 31 March 2006	<u>2,851</u>	<u>757</u>	<u>3,608</u>
<b>At 31 March 2006</b>			
Cost	8,427	6,073	14,500
Accumulated amortisation	(5,576)	(5,316)	(10,892)
Net book amount	<u>2,851</u>	<u>757</u>	<u>3,608</u>

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**6. Intangible assets (continued)**

**LTL**

	<b>Software</b>	<b>Patents and licences</b>	<b>Total</b>
<b>At 1 January 2005</b>			
Cost	20,154	15,352	35,506
Accumulated amortisation	(11,446)	(12,183)	(23,629)
Net book amount	<u>8,708</u>	<u>3,169</u>	<u>11,877</u>
<b>Three months ended 31 March 2005</b>			
Opening net book amount at 1 January 2005	8,708	3,169	11,877
Exchange differences	427	158	585
Additions	355	-	355
Amortisation charge	(620)	(268)	(888)
Closing net book amount at 31 March 2005	<u>8,870</u>	<u>3,059</u>	<u>11,929</u>
<b>Nine months ended 31 December 2005</b>			
Opening net book amount at 1 April 2005	8,870	3,059	11,929
Exchange differences	734	256	990
Additions	1,391	46	1,437
Amortisation charge	(2,093)	(867)	(2,960)
Closing net book amount at 31 December 2005	<u>8,902</u>	<u>2,494</u>	<u>11,396</u>
<b>At 31 December 2005</b>			
Cost	24,236	17,674	41,910
Accumulated amortisation	(15,334)	(15,180)	(30,514)
Net book amount	<u>8,902</u>	<u>2,494</u>	<u>11,396</u>
<b>Three months ended 31 March 2006</b>			
Opening net book amount at 1 January 2006	8,902	2,494	11,396
Exchange differences	(121)	(39)	(160)
Additions	198	-	198
Amortisation charge	(815)	(287)	(1,102)
Closing net book amount at 31 March 2006	<u>8,164</u>	<u>2,168</u>	<u>10,332</u>
<b>At 31 March 2006</b>			
Cost	24,136	17,394	41,530
Accumulated amortisation	(15,972)	(15,226)	(31,198)
Net book amount	<u>8,164</u>	<u>2,168</u>	<u>10,332</u>

In 2005 the Company was issued allowances by the Government to emit 6,622,887 tons of carbon dioxide in 2005 – 2007. In the balance sheet the Group recognised allowances and the related government grant at a nominal amount, i.e. zero. In October 2005 through a business combination the Group acquired additional allowances to emit 2,651,020 tons of carbon dioxide in 2005 – 2007. These allowances were not recognised in the balance sheet of the Group. Until 31 March 2006 actual emissions of the Group amounted to 2,476,679 tons (December 2005: 2,238,440 tons). The market value of remaining unused allowances amounted to USD 220,308 thousand or LTL 630,983 thousand as at 31 March 2006 (December 2005: USD 182,203 thousand or LTL 530,246 thousand).

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**7. Inventories**

	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Raw and supplementary materials (at cost)	42,878	122,807	24,247	70,564
Raw and supplementary materials (at net realisable value)	-	-	769	2,238
Finished goods and goods for resale (at cost)	146,828	420,531	177,534	516,659
Finished goods and goods for resale (at net realisable value)	447	1,280	1,016	2,957
Semi-finished goods (at cost)	27,374	78,402	12,501	36,380
Semi-finished goods (at net realisable value)	-	-	20,475	59,586
Spare parts and other (at cost)	21,879	62,664	20,577	59,884
	<u>239,406</u>	<u>685,684</u>	<u>257,119</u>	<u>748,268</u>

Inventory amounting to USD 110,000 thousand or LTL 315,051 thousand (December 2005: USD 90,000 thousand or LTL 261,918 thousand) is pledged as collateral for letters of credit and guarantees issued by the banks on behalf of the Group.

**8. Trade and other receivables**

	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Trade receivables	81,655	233,868	91,059	265,000
Less provision for impairment of receivables	(15,329)	(43,904)	(15,366)	(44,718)
Trade receivables – net	66,326	189,964	75,693	220,282
Receivables from related parties (Note 19)	198,317	568,000	53,038	154,351
Bonds issued by financial institutions	185,754	532,018	-	-
Prepaid and recoverable taxes, other than corporate income tax	2,950	8,450	2,807	8,169
Accrued income and deferred charges	7,411	21,226	10,515	30,601
Other receivables	3,062	8,770	2,554	7,433
	<u>463,820</u>	<u>1,328,428</u>	<u>144,607</u>	<u>420,836</u>

Bonds issued by financial institutions of USD 185,754 thousand or LTL 532,018 thousand (December 2005: nil) consist of short-term bonds which are not traded in an active market. The effective interest rate on the bonds was 4.59%. They have an average maturity of 35 days. Bonds are pledged as collateral for letters of credit and guarantees issued by the banks on behalf of the Group.

Receivables amounting up to USD 18,747 thousand or LTL 53,693 thousand (December 2005: USD 16,240 thousand or LTL 47,262 thousand) are pledged as collateral for letters of credit issued by the banks on behalf of the Group.

**9. Cash and cash equivalents**

	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Cash at bank and in hand	324,261	928,716	536,616	1,561,660
Short-term bank deposits	44,337	126,986	101,197	294,504
	<u>368,598</u>	<u>1,055,702</u>	<u>637,813</u>	<u>1,856,164</u>

The effective interest rate on short-term bank deposits was 4.22% (December 2005: 3.58%). These deposits have an average maturity of 52 days (December 2005: 30 days).

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**9. Cash and cash equivalents (continued)**

Cash at bank required to be maintained under the terms of letters of credit and guarantees issued for settlements with suppliers is presented below:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Cash held at banks to secure issued letters of credit	217,884	624,042	457,788	1,332,255
Cash held at banks to secure issued guaranties	9,277	26,570	7,415	21,579
	<u>227,161</u>	<u>650,612</u>	<u>465,203</u>	<u>1,353,834</u>

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Cash and cash equivalents	368,598	1,055,702	637,813	1,856,164
Bonds issued by financial institutions (Note 8)	185,754	532,018	-	-
Bank overdrafts (Note 12)	(156)	(447)	-	-
	<u>554,196</u>	<u>1,587,273</u>	<u>637,813</u>	<u>1,856,164</u>

Cash at bank to be maintained under the terms of letters of credit and issued guarantees was classified as cash and cash equivalents for the purposes of the cash flow statement because these funds are held for meeting short term operating cash commitments.

Cash at bank amounting to USD 244,761 thousand or LTL 701,020 thousand (December 2005: USD 496,567 thousand or LTL 1,445,109 thousand) is pledged as collateral for bank borrowings and for letters of credit and guarantees issued by the banks on behalf of the Group.

**10. Share capital**

As at 31 March 2006, the Company's authorised share capital comprised 707,454,130 (December 2005: 707,454,130) ordinary registered shares with a par value of LTL 1 per share. There were no movements in number of shares outstanding during 2006 and 2005. All issued shares are fully paid.

**11. Trade and other payables**

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Trade payables	332,465	952,211	311,353	906,100
Amounts due to related parties (Note 19)	5,251	15,038	6,277	18,267
Advances received	2,698	7,727	4,281	12,458
Accruals and deferred income	7,276	20,839	13,740	39,984
Taxes other than corporate income tax	46,473	133,103	56,097	163,255
Social security contributions	1,604	4,594	2,847	8,287
Other current liabilities	2,785	7,978	862	2,482
	<u>398,552</u>	<u>1,141,490</u>	<u>395,457</u>	<u>1,150,833</u>

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**12. Borrowings**

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
<b>Non-current</b>				
Bank borrowings	161,159	461,575	163,815	476,734
Loans from related parties (Note 19)	290,254	831,316	290,233	844,636
Finance lease liabilities	18	52	28	82
	<u>451,431</u>	<u>1,292,943</u>	<u>454,076</u>	<u>1,321,452</u>
<b>Current</b>				
Bank overdrafts	156	447	-	-
Bank borrowings	9,202	26,355	9,321	27,126
Loans from related parties (Note 19)	242	693	238	693
Finance lease liabilities	185	530	253	736
	<u>9,785</u>	<u>28,025</u>	<u>9,812</u>	<u>28,555</u>
<b>Total borrowings</b>	<u>461,216</u>	<u>1,320,968</u>	<u>463,888</u>	<u>1,350,007</u>

Total borrowings include collateralised liabilities of USD 894 thousand or LTL 2,561 thousand (December 2005: USD 726 thousand or LTL 2,113 thousand). Cash (Note 9) and property, plant and equipment (Note 5) of the Group is pledged as collateral for bank borrowings. The rights to the asset leased under finance lease revert to the lessor in the event of default. Borrowings amounting to USD 169,617 thousand or LTL 485,800 thousand (December 2005: USD 172,402 thousand or LTL 501,724 thousand) are guaranteed by the Government.

Borrowings amounting to USD 170,358 thousand or LTL 487,922 thousand (December 2005: USD 172,822 thousand or LTL 502,947 thousand) are bearing floating interest rate with repricing period between 1 and 6 months. Borrowings (excluding finance lease liabilities) of USD 290,655 thousand or LTL 832,464 thousand (December 2005: USD 290,785 thousand or LTL 846,242) are bearing fixed interest rate.

The maturity of non-current borrowings (excluding finance lease liabilities) is as follows:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Between 1 and 2 years	5,663	16,219	5,657	16,463
Between 2 and 5 years	189,931	543,981	173,791	505,766
Over 5 years	255,819	732,691	274,600	799,141
	<u>451,413</u>	<u>1,292,891</u>	<u>454,048</u>	<u>1,321,370</u>

The borrowings outstanding as at 31 March 2006 were subject to a number of covenants, such as exclusive use of 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 Group has complied with these covenants.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**13. Expenses by nature**

	<b>31 March 2006</b>		<b>31 March 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Depreciation and amortisation (Notes 5 and 6)	14,338	41,160	10,004	26,293
Wages and salaries	12,984	37,273	13,660	35,901
Social security costs	4,002	11,489	4,183	10,994
Costs of crude oil and feedstock	932,047	2,675,627	662,526	1,741,250
Additives and catalysts	1,887	5,417	2,087	5,485
Changes in inventories of finished goods and work in progress	42,896	123,142	(29,797)	(78,312)
Transit and freight	25,641	73,608	19,010	49,962
Railway services	12,530	35,970	15,134	39,775
Terminal and laboratory services	6,985	20,052	8,543	22,453
Electricity	6,097	17,503	8,942	23,501
Steam power	-	-	5,671	14,905
Intermediary services	4,735	13,593	3,682	9,677
Consumables and office supplies	3,840	11,023	3,098	8,142
Taxes, other than corporate income tax	1,778	5,104	2,601	6,836
Insurance	1,784	5,121	1,913	5,028
Operating lease	1,677	4,814	1,656	4,352
Professional fees	2,423	6,956	962	2,528
Reversal of impairment charge of PP&E	-	-	(1,287)	(3,382)
Other expenses	8,593	24,667	4,929	12,954
	<u>1,084,237</u>	<u>3,112,519</u>	<u>737,517</u>	<u>1,938,342</u>
Classified as:				
- cost of sales	1,012,637	2,906,977	670,259	1,761,575
- selling and marketing costs	54,396	156,155	52,593	138,225
- administrative expenses	17,204	49,387	14,665	38,542
	<u>1,084,237</u>	<u>3,112,519</u>	<u>737,517</u>	<u>1,938,342</u>

**14. Income tax expense**

	<b>31 March 2006</b>		<b>31 March 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Current tax	9,421	27,045	12,173	31,994
Deferred tax	(732)	(2,101)	(566)	(1,488)
	<u>8,689</u>	<u>24,944</u>	<u>11,607</u>	<u>30,506</u>

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**15. Earnings per share**

*Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 March 2006		31 March 2005	
	USD	LTL	USD	LTL
Profit attributable to equity holders of the Company	46,549	133,628	83,233	218,753
Weighted average number of ordinary shares in issue (thousands)	707,454	707,454	707,454	707,454
Basic earnings per share (USD or LTL per share)	0.066	0.189	0.118	0.309

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of potentially dilutive ordinary shares in the form of share options, but for the reasons set out below management has not been able to calculate with sufficient certainty their dilutive impact.

According to the Investment Agreement as of 18 June 2002, Yukos Finance B.V. had an option to subscribe for a certain number of newly issued shares in the Company for a consideration of USD 75 million. Yukos Finance B.V. signalled its intention to exercise this option by delivering a notice in writing to the Government on 29 October 2004 and to the Company on 5 November 2004.

According to the most dilutive interpretation of the Investment Agreement, the dilutive effect would be an additional 313,839 thousand (March 2005: 280,214 thousand) shares, that would give a diluted earnings per share of USD 0.046 or LTL 0.131 (March 2005: USD 0.084 or LTL 0.221). According to the less dilutive interpretation, the dilutive effect would be an additional 165,106 thousand (March 2005: 148,182 thousand) shares, that would give a diluted earnings per share of USD 0.053 or LTL 0.153 (March 2005: USD 0.097 or LTL 0.256).

The Investment Agreement provides that in the event of the execution of the first option, Yukos Finance B.V. would then have a further option to purchase from 1 to 11.5 percent of shares held by the Government for a price which is equal to 3 times EBITDA (preceding year) multiplied by the percentage to be purchased but not less than USD 4.9 million for 1 percent. This option expires on 29 October 2006.

Despite notice having been provided by Yukos Finance B.V., no new shares have been issued and without agreement between the parties it is not likely that any will be issued. Furthermore, if the share sale-purchase transaction between Yukos International UK B.V. and PKN Orlen is completed, the Investment Agreement will expire and no new shares will be issued.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**16. Cash generated from operations**

	<b>31 March 2006</b>		<b>31 March 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Profit for the period	46,675	133,990	82,730	217,433
Adjustments for:				
– tax (Note 14)	8,689	24,944	11,607	30,506
– depreciation (Note 5)	13,954	40,058	9,666	25,405
– amortisation (Note 6)	384	1,102	338	888
– (profit) on sale of non-current assets classified as held for sale	(53)	(51)	(89)	(234)
– (profit) on sale of PPE	(176)	(503)	-	-
– retirement of PPE (Note 6)	41	118	145	386
– reversal of impairment charge of PPE (Note 6)	-	-	(1,287)	(3,382)
– interest income	(5,569)	(15,986)	(2,300)	(6,045)
– interest expense	7,566	21,720	6,853	18,010
– share of (profit) from associates	(18)	(51)	(26)	(68)
– exchange (gains)/losses on borrowings	41	(21,251)	(280)	61,169
Changes in working capital:				
– inventories	17,713	62,584	(1,764)	(29,900)
– trade and other receivables	(134,529)	(378,043)	(19,593)	(71,170)
– trade and other payables	3,161	(9,520)	75,378	238,947
Cash generated from operations	(42,121)	(140,889)	161,378	481,945

**17. Contingencies**

There were no significant changes in contingent liabilities and contingent assets since 31 December 2005.

**18. Commitments**

*Capital commitments*

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	<b>USD</b>	<b>LTL</b>	<b>USD</b>	<b>LTL</b>
Property, plant and equipment	29,869	85,547	44,002	128,055

**19. Related-party transactions**

As at 31 March 2006 Yukos International UK B.V was the majority shareholder of the Company.

In June 2002, the Group and Yukos Oil Company OAO 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 30 September 2012. In 2004, Yukos Oil Company OAO commitments under this agreement were transferred to Samaraneftegas OAO, the Yukos Group company. In February 2005, Yukos Oil Company OAO suspended supply of crude oil to the Group both for refining and transportation purposes.

On 1 January 2005 the Group signed a sales commissioner agreement with Petroval PTE, an entity related to Yukos Oil Company OAO. According to this agreement Petroval PTE sells the Group's oil products for a defined fee. Accounts receivable balance represents receivables from the third parties which have to be collected by Petroval PTE on behalf of the Group.



**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**19. Related-party transactions (continued)**

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

The Government has significant influence over the Company. For the purposes of the related party disclosure the Government includes state authorities and excludes local authorities.

The following transactions were carried out with related parties:

*(a) Sales of goods and services*

	31 March 2006		31 March 2005	
	USD	LTL	USD	LTL
– Naftelf UAB	5,904	16,949	3,952	10,387
– Yukos Group*	8	23	28	74
– Petroval SA (acting as direct sales client)	-	-	5,821	15,299
– Petroval PTE (acting as direct sales client)	-	-	10,966	28,821
	5,912	16,972	20,767	54,581

*(b) Purchases of goods and services*

	31 March 2006		31 March 2005	
	USD	LTL	USD	LTL
– Petroval PTE (commission fee and purchases of goods)	30,248	86,833	21,354	56,123
– Petroval SA (commission fee and purchase of goods)	-	-	1,065	2,799
– Yukos Group* (purchase of crude oil)	-	-	896	2,356
– Yukos Finance B.V. (management fee)	359	1,031	482	1,267
	30,607	87,864	23,797	62,545

*(c) Tax expenses – the Government*

	31 March 2006		31 March 2005	
	USD	LTL	USD	LTL
Income tax	8,545	24,530	11,450	30,093
Taxes, other than corporate income tax	1,776	5,098	2,585	6,794
Social security costs	3,930	11,282	4,107	10,794
	14,251	40,910	18,142	47,681

*(d) Key management compensation*

	31 March 2006		31 March 2005	
	USD	LTL	USD	LTL
Salaries and other short-term employee benefits	150	430	150	393

Key management includes 7 (March 2005: 7) members of the management of the Company.

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**19. Related-party transactions (continued)**

*(f) Year-end balances arising from sales/purchases of goods/services*

Receivables from related parties (Note 8):	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Yukos Group* trade receivables	2,164	6,197	2,162	6,292
Less provision for impairment of receivables	(2,161)	(6,189)	(2,159)	(6,284)
Yukos Group* trade receivables - net	3	8	3	8
Petroval PTE	197,443	565,498	52,187	151,875
Petroval SA	125	358	147	428
Naftelf UAB	746	2,136	701	2,040
	198,317	568,000	53,038	154,351

Reimbursement for environmental obligations receivable from the Government

	10,981	31,451	10,807	31,449
	209,298	599,451	63,845	185,800

Amounts due to related parties (Note 11):

Amounts payable to related parties:	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Yukos Finance B.V.	197	565	320	931
Petroval SA	347	994	350	1,019
Petroval PTE	4,215	12,071	3,560	10,360
Government	36	102	16	47
	4,795	13,732	4,246	12,357

Advance payments received from related parties:

Petroval SA	18	52	-	-
Petroval PTE	438	1,254	2,031	5,910
	5,251	15,038	6,277	18,267

Provision for claim from Yukos Group\*

Government grant relating to purchases of PPE

	571	1,635	571	1,662
	4,962	14,211	4,963	14,443
	10,784	30,884	11,811	34,372

*(g) Year-end balances arising from taxes paid/payable – the Government*

Prepaid taxes:

Prepaid taxes:	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Prepaid current income tax	6,899	19,759	165	480
Long term portion of prepayment for real estate tax	463	1,326	1,134	3,300
Prepaid taxes, other than corporate income tax	3,135	8,979	2,739	7,971
	10,497	30,064	4,038	11,751

Taxes payable:

Taxes payable:	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Current income tax payable	37,226	106,618	36,636	106,618
Taxes other than corporate income tax	21,370	61,206	26,186	76,206
	58,596	167,824	62,822	182,824

**MAŽEIKIŲ NAFTA AB**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

**19. Related-party transactions (continued)**

Deferred taxes:	31 March 2006		31 December 2005	
	USD	LTL	USD	LTL
Deferred income tax assets	21,579	61,856	20,841	60,651

*(h) Loans from related parties – the Government (Note 12)*

	USD	LTL
Beginning of period	288,983	732,427
Interest charged	5,056	13,343
Interest paid	(5,112)	(13,482)
Exchange differences	-	37,559
End of the three month period 31 March 2005	288,927	769,847
Beginning of period	288,927	769,847
Acquisition of subsidiary	1,717	4,932
Interest charged	15,469	43,892
Interest paid	(15,491)	(43,966)
Loan repayments made	(113)	(329)
Exchange differences	(22)	71,000
End of the nine month period 31 December 2005	290,487	845,376
Beginning of period	290,487	845,376
Interest charged	5,075	14,551
Interest paid	(5,056)	(14,496)
Exchange differences	26	(13,319)
End of the three month period 31 March 2006	290,532	832,112

Loans from related parties consist of loans granted by the Government to the Company amounting to USD 288,927 thousand or LTL 827,516 thousand (December 2005: USD 288,927 thousand or LTL 840,837 thousand) and Mažeikių Elektrinė AB amounting to USD 1,569 thousand or LTL 4,494 thousand (December 2005: USD 1,544 thousand or LTL 4,492 thousand) plus interest accrued amounting to USD 36 thousand or LTL 103 thousand (December 2005: USD 16 thousand or LTL 47 thousand).

An interest of 7 percent per annum is payable on the loan granted by the Government to the Company. Loan has to be repaid by 11 July 2013. First instalment is due in 2009.

An interest of 4.95 percent per annum is payable on the loan granted by the Government to Mažeikių Elektrinė AB. Loan has to be repaid by 15 April 2011.

\*Yukos Oil Company OAO, Yukos Finance B.V., Yukos Export Trade OOO, Samaraneftgas OAO are treated as the Yukos Group companies.