

Attn.: Lithuanian Securities Commission
Konstitucijos pr. 23,
LT-08105 Vilnius, Lithuania

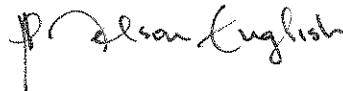
2007-05-30 No. 211005/13091

CONFIRMATION OF THE RESPONSIBLE PERSONS

Following Article 22 of Law on Securities of the Republic of Lithuania and Rules of Preparation and Submission of Periodic and Supplemental Information approved by Securities Commission of the Republic of Lithuania we, Paul Nelson English, General Director of AB Mažeikių Nafta, and Vita Petrošienė, Chief Financial Office of AB Mažeikių Nafta, hereby confirm that the attached AB Mažeikių Nafta Condensed Consolidated Interim Financial Information for the three month period ended 31 March 2007 prepared according to International Financial Reporting Standards as adopted by the European Union, to our best knowledge does represent the true and correct corporate assets, liabilities, financial standing, profit or loss of the Group of the consolidated entities of AB Mažeikių Nafta.

ATTACHMENTS: AB Mažeikių Nafta Condensed Consolidated Interim Financial Information for the three month period ended 31 March 2007 (26 pages).

General Director



Paul Nelson English

Chief Financial Officer



Vita Petrošienė

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION FOR THE THREE MONTH
PERIOD ENDED 31 MARCH 2007

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

TABLE OF CONTENTS	Page
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET	3
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT	4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	5-6
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT	7
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	8-26

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

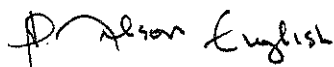
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Condensed consolidated interim balance sheet

	Note	As at 31 March 2007		As at 31 December 2006	
		USD	LTL	USD	LTL
ASSETS					
Non-current assets					
Property, plant and equipment	5	640 321	1 659 842	573 743	1 509 174
Intangible assets	6	7 398	19 177	7 476	19 665
Goodwill		4 752	12 317	4 745	12 481
Investments in associates		1 492	3 868	1 463	3 848
Deferred income tax assets		44 724	115 935	36 100	94 957
Non-current receivables and prepayments		21 820	56 561	28 678	75 435
		<u>720 507</u>	<u>1 867 700</u>	<u>652 205</u>	<u>1 715 560</u>
Current assets					
Inventories	7	297 730	771 775	348 418	916 479
Trade and other receivables	8	131 313	340 390	93 876	246 932
Prepaid current income tax		54 457	141 163	53 630	141 068
Cash and cash equivalents	9	253 304	656 615	436 382	1 147 859
		<u>736 804</u>	<u>1 909 943</u>	<u>932 306</u>	<u>2 452 338</u>
Non-current assets classified as held for sale		6	16	292	768
		<u>736 810</u>	<u>1 909 959</u>	<u>932 598</u>	<u>2 453 106</u>
Total assets		<u>1 457 317</u>	<u>3 777 659</u>	<u>1 584 803</u>	<u>4 168 666</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	10	181 886	708 821	181 886	708 821
Share premium		77 507	295 548	77 507	295 548
Reserves		18 883	50 799	18 883	50 799
Cumulative translation adjustment		4 920	(254 930)	4 498	(229 580)
Retained earnings		414 242	1 007 663	465 492	1 142 651
		<u>697 438</u>	<u>1 807 901</u>	<u>748 266</u>	<u>1 968 239</u>
Minority interest		272	704	265	697
Total equity		<u>697 710</u>	<u>1 808 605</u>	<u>748 531</u>	<u>1 968 936</u>
LIABILITIES					
Non-current liabilities					
Borrowings	12	447 415	1 159 789	450 202	1 184 211
Other non-current liabilities		8 896	23 060	8 839	23 250
Provisions for other liabilities and charges		2 491	6 457	2 455	6 458
		<u>458 802</u>	<u>1 189 306</u>	<u>461 496</u>	<u>1 213 919</u>
Current liabilities					
Trade and other payables	11	288 278	747 274	359 881	946 631
Current income tax liabilities		-	-	1 605	4 222
Borrowings	12	6 155	15 956	6 894	18 134
Provisions for other liabilities and charges		6 372	16 518	6 396	16 824
		<u>300 805</u>	<u>779 748</u>	<u>374 776</u>	<u>985 811</u>
Total liabilities		<u>759 607</u>	<u>1 969 054</u>	<u>836 272</u>	<u>2 199 730</u>
Total equity and liabilities		<u>1 457 317</u>	<u>3 777 659</u>	<u>1 584 803</u>	<u>4 168 666</u>

The General Director and the Chief Financial Officer approved the condensed consolidated interim financial information on pages 3 to 26 on 28 May 2007

Paul Nelson English
 General Director



Vita Petrošienė
 Chief Financial Officer



The notes on pages 8 to 26 are an integral part of the condensed consolidated interim financial information.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

Condensed Consolidated Interim Income Statement

	Note	Three months ended 31 March			
		2007		2006	
		USD	LTL	USD	LTL
Sales	4	599 482	1 578 976	1 140 375	3 273 674
Cost of sales	13	(599 887)	(1 580 042)	(1 012 637)	(2 906 977)
Gross profit		(405)	(1 066)	127 738	366 697
Other income		75	197	276	793
Selling and marketing costs	13	(29 452)	(77 573)	(54 396)	(156 155)
Administrative expenses	13	(26 744)	(70 440)	(17 204)	(49 387)
Operating profit		(56 526)	(148 882)	56 414	161 948
Finance income		4 447	11 710	5 569	15 986
Finance costs		(7 686)	(20 243)	(6 637)	(19 051)
Share of profit of associates		10	25	18	51
Profit before income tax		(59 755)	(157 390)	55 364	158 934
Income tax expense	14	8 508	22 409	(8 689)	(24 944)
Profit for the period		(51 247)	(134 981)	46 675	133 990
Attributable to:					
Equity holders of the Company		(51 250)	(134 988)	46 549	133 628
Minority interest		3	7	126	362
		(51 247)	(134 981)	46 675	133 990
Earnings per share for profit (loss) attributable to the equity holders of the Company during the period (expressed in USD or LTL per share)					
-- basic / diluted	15	(0,072)	(0,190)	0,066	0,189

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AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

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

	<u>Capital and reserves attributable to equity holders of the company</u>					Minority interest	Total equity	
	Share capital	Share premium	Statutory		Cumulative translation adjustments			Retained earnings
			revaluation reserve	Legal reserve				
Balance at 1 January 2006	181 366	72 752	109 13 494		1 457	404 069	836 674 083	
Currency translation differences recognized directly in equity	-	-	-	-	308	-	12 320	
Profit for the period	-	-	-	-	-	46 549	126 46 675	
Total recognized income for the period	-	-	-	-	308	46 549	138 46 995	
Balance at 31 March 2006	181 366	72 752	109 13 494		1 765	450 618	974 721 078	
Balance at 1 April 2006	181 366	72 752	109 13 494		1 765	450 618	974 721 078	
Currency translation differences recognized directly in equity	-	-	-	-	3 440		120 3 560	
Profit for the period	-	-	-	-		19 447	1 739 21 186	
Total recognized income for the period	-	-	-	-	3 440	19 447	1 859 24 746	
Issue of share capital in exchange for minority interest in subsidiary	520	4 755	-	-	-	-	(2 568) 2 707	
Transfer of cumulative translation adjustment on merged subsidiary	-	-	-	-	(707)	707	- -	
Transfer to legal reserve	-	-	-	5 280	-	(5 280)	- -	
Balance at 31 December 2006	181 886	77 507	109 18 774		4 498	465 492	265 748 531	
Balance at 1 January 2007	181 886	77 507	109 18 774		4 498	465 492	265 748 531	
Currency translation differences recognized directly in equity	-	-	-	-	422	-	10 432	
Profit (loss) for the period	-	-	-	-		(51 250)	(3) (51 253)	
Total recognized income for the period	-	-	-	-	422	(51 250)	7 (50 821)	
Balance at 31 March 2007	181 886	77 507	109 18 774		4 920	414 242	272 697 710	

The notes on pages 8 to 26 are an integral part of the condensed consolidated interim financial information.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

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

	Capital and reserves attributable to equity holders of the company						Minority interest	Total equity
	Share capital	Share premium	Statutory	Legal	Cumulative	Retained earnings		
			revaluation reserve	reserve	translation adjustments			
Balance at 1 January 2006	707 454	283 040	437	36 089	(30 716)	963 006	2 433	1 961 743
Currency translation differences recognized directly in equity	-	-	-	-	(30 487)	-	(5)	(30 492)
Profit for the period	-	-	-	-	-	133 628	362	133 990
Total recognized income for the period	-	-	-	-	(30 487)	133 628	357	103 498
Balance at 31 March 2006	707 454	283 040	437	36 089	(61 203)	1 096 634	2 790	2 065 241
Balance at 1 April 2006	707 454	283 040	437	36 089	(61 203)	1 096 634	2 790	2 065 241
Currency translation differences recognized directly in equity	-	-	-	-	(166 517)	-	7	(166 510)
Profit for the period	-	-	-	-	-	58 430	4 655	63 085
Total recognized income for the period	-	-	-	-	(166 517)	58 430	4 662	(103 425)
Issue of share capital in exchange for minority interest in subsidiary	1 367	12 508	-	-	-	-	(6 755)	7 120
Transfer of cumulative translation adjustment on merged subsidiary	-	-	-	-	(1 860)	1 860	-	-
Transfer to legal reserve	-	-	-	14 273	-	(14 273)	-	-
Balance at 31 December 2006	708 821	295 548	437	50 362	(229 580)	1 142 651	697	1 968 936
Balance at 1 January 2007	708 821	295 548	437	50 362	(229 580)	1 142 651	697	1 968 936
Currency translation differences recognized directly in equity	-	-	-	-	(25 350)	-	14	(25 336)
Profit (loss) for the period	-	-	-	-	-	(134 988)	(7)	(134 995)
Total recognized income for the period	-	-	-	-	(25 350)	(134 988)	7	(160 331)
Balance at 31 March 2007	708 821	295 548	437	50 362	(254 930)	1 007 663	704	1 808 605

The notes on pages 8 to 26 are an integral part of the condensed consolidated interim financial information.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(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			
		2007		2006	
		USD	LTL	USD	LTL
Cash flows from operating activities					
Cash generated from operations	16	(99 070)	(289 189)	(42 121)	(140 889)
Interest paid		(7 686)	(20 243)	(7 720)	(22 203)
Income tax paid		(2 010)	(4 138)	(16 243)	(46 499)
Net cash (used in) generated from operating activities		(108 766)	(313 570)	(66 084)	(209 591)
Cash flows from investing activities					
Purchases of property, plant and equipment		(75 826)	(199 717)	(21 342)	(60 718)
Proceeds from sale of property, plant and equipment		91	239	319	915
Proceeds from sale of non-current assets classified as held for sale		-	-	149	424
Purchases of intangible assets		(327)	(679)	(314)	(722)
Interest received		2 861	7 534	5 569	15 976
Net cash flows (used in) generated from investing activities		(73 201)	(192 623)	(15 619)	(44 125)
Cash flows from financing activities					
Proceeds from borrowings		2 407	6 240	-	-
Repayment of borrowings		(5 975)	(15 675)	(2 786)	(7 998)
Finance lease principal payments		(30)	(80)	(83)	(238)
Net cash used in financial activities		(3 598)	(9 515)	(2 869)	(8 236)
Net increase (decrease) in cash and bank overdrafts					
Cash and bank overdrafts at the beginning of the period	9	435 681	1 146 015	637 813	1 856 164
Exchange gains (losses) on cash and bank overdrafts		3 169	26 259	955	(6 939)
Cash and bank overdrafts at the end of the period	9	253 285	656 566	554 196	1 587 273

The notes on pages 8 to 26 are an integral part of the condensed consolidated interim financial information.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

Notes to the Condensed Consolidated Interim Financial Information

1. General Information

AB Mažeikių Nafta (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 the oil terminal operator AB Būtingės Nafta and the pipeline operator AB Naftotiekis. In 2006, the Company merged with AB Mažeikių Elektrinė, manufacturer of electricity.

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).

On 31 March 2007 and 31 December 2006 Polski Koncern Naftowy Orlen S.A (hereinafter „PKN ORLEN“) holding 89,79 % of the Company's shares and the Government of the Republic of Lithuania (hereinafter "the Government") holding 9,98 % of the Company's shares were the major shareholders of the Company (On 31 December 2006 PKN ORLEN held 84,2 % and the Government - 9,98 % of the shares of the Company). The rest of the shares belong to a number of minor shareholders.

On 20 February 2007 PKN ORLEN acting jointly with the Government of Republic of Lithuania based on Cooperation Agreement signed on 25 January 2007 issued a Notice on Squeeze-Out of Shares of the minor shareholders of AB Mažeikių Nafta. The process of squeeze-out of shares is executed following the Laws of the Republic of Lithuania. The minor shareholders are required to sell the shares of AB Mažeikių Nafta during the period of 20 February 2007 to 21 May 2007 (inclusively) for the price offered by the Offerors. Should the shareholders fail to sell their shares of AB Mažeikių Nafta within the set period, the last day of the period the Offerors become entitled to apply to court with a request to obligate the account administrators to make records in the security accounts about the transfer of ownership right in respect of the shares to PKN ORLEN. Upon completion of share squeeze-out procedure PKN ORLEN will own all the shares of AB Mažeikių Nafta except for the portion of 9.98 % owned by the Government of the Republic of Lithuania.

The consolidated Group

The consolidated group (hereinafter "the Group") consists of the Company and its seven subsidiaries (as of December 2006) and one associate. The subsidiaries and associate included into the Group's consolidated financial statements are listed below:

Subsidiary/associate	Country of incorporation	Year of establishment /acquisition	Share of the Group, %		Nature of activity
			31 March 2007	31 December, 2006	
<i>Subsidiaries</i>					
UAB Uotas	Lithuania	2002	100	100	The entity is under liquidation process
AB Ventus-Nafta	Lithuania	2002	98,59	98,59	Retail of refined oil products
UAB Mažeikių Nafta Trading House	Lithuania	2003	100	100	The Company's sales commissioner in Lithuania
SIA Mažeikių Nafta Tirdniecibas Nams	Latvia	2003	100	100	Wholesale of refined oil products in Latvia
OU Mažeikių Nafta Trading House	Estonia	2003	100	100	Wholesale of refined oil products in Estonia
Sp.z.o.o. Mažeikių Nafta Trading House	Poland	2003	100	100	Wholesale of refined oil products in Poland
UAB Juodeikių Nafta	Lithuania	1995	100	100	The entity is under liquidation process
<i>Associates</i>					
UAB Naftelf	Lithuania	1996	34	34	Sales of aviation fuel and construction of aviation fuel storage facilities

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

1. General information (continued)

(1) Supply of crude oil

Although the Company was dependent on the supply of crude oil via the pipelines carrying oil through the territory of Russian Federation, it does have the possibility of importing crude oil through its oil import-export terminal in Būtingė. At the end of July, 2006 the crude oil supply by pipelines to the Company was suspended and the Company continued its activities by importing the crude oil through Oil Terminal.

On January 5, 2007, the Company signed the Agreement with PKN ORLEN granting PKN ORLEN the exclusive right for the crude oil supply to the Company. The contract signing is associated with centralization of crude oil purchases in PKN ORLEN Group. The Agreement has been concluded for an indefinite period.

(2) Fire in the Refinery

The fire, which took place in the Refinery on October 12, 2006, tore down the vacuum distillation unit used for production of light petroleum products. After the fire, through to the end of the first stage of the reconstruction plan in February, 2007, the Refinery was operating at its half capacity. The first stage of the reconstruction plan was over in February, 2007, when the old vacuum distillation tower (after it was revamped), previously taken out of operation, was started. The revamped tower is capable of processing approximately 50 per cent of the quantity the fire-damaged unit could process. Subject to the management's calculations, restoration of the full capacity might take 12 to 14 months. The Company has its property and business interruption losses insured in the international insurance market via the insurance broker AON Limited in London. Property is insured at reinstatement value. As of the date of the current consolidated financial statement the fire causes were being investigated by the insurance companies and the final damage compensation amounts have not yet been determined.

(3) Continuity of business

The combined effects of the suspension of oil supply via the pipeline and the fire at the oil refinery had in 2006 and will continue to have in future a significant adverse effect on the Group's operations. However, the management believes that based on its actions and the Group's capital financing and operating plans for 2007 there is no reason to doubt the appropriateness of the going concern assumption when preparing the current consolidated financial statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

The current 31 March 2007 condensed interim consolidated financial information of the Group has been prepared for the preceding three-month-period ended 31 March 2007. It has been prepared in accordance with IAS 34, Interim Financial Reporting and IAS 34, Interim Financial Reporting applied in the context of the IFRS 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. 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, 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.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(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 2006. 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 2006 must be applicable to the Group reporting periods from 1 January 2007. 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 2006 the Group discovered an error made in its consolidated interim financial statements for the three month period ended 31 March 2006 related to the disclosing of the parties. Petroval PTE Lt. was disclosed as a related party though it was not related to the Group. As a result of correction of error, the sales from the concerned parties were reduced by 30 248 thousand USD or 86 833 thousand LTL for the three month period ended 31 March 2006, respectively the amount of the purchase from third parties was increased.

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 and 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.

3. Critical accounting estimates and assumptions

Estimates and assumptions 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) Impairment pipeline assets

At the end of July 2006 the crude oil deliveries via the pipeline from Russia to the Company was suspended and the pipeline connecting Biržai pumping station with the oil refinery is not used by the Group. As of 31 March 2007 the balance value of not used property, plant and equipment assets was 2 287 thousand USD or 5 928 thousand LTL (as of 31 December 2006 it was 2 212 thousand USD or 5 818 thousand LTL). Total property, plant and equipment assets in the pipeline operating segment amounted to 51 210 thousand USD or 132 747 thousand LTL (31 December 2006 – 51 670 thousand USD or 135 913 thousand LTL). The management of the Group believes that the interruption in crude oil supply via the pipeline is temporary, therefore no impairment loss was recognised on the pipeline operating segment's property, plant and equipment in interim financial information of three months period ended 31 March 2007 and in the consolidated financial statements for the year ended 31 December 2006.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

3. Critical accounting estimates and assumptions (continued)

If it becomes apparent in future that the interruption is of a long term nature, the pipeline assets will be tested for impairment and impairment loss, if any, will be recognised in the consolidated financial statements.

(b) Accounting for pipeline fill

The Group recognises pipeline fill representing crude oil which is in the pipe connecting the Refinery and Būtingė import-export oil terminal as Property, plant and equipment. According to the technical specifications of equipment, there must always be a certain level of crude oil in the pipe. The Group has classified the pipeline fill as Property, plant and equipment because the management of the Group believes that this crude oil will be used for more than one year and its balance in tons does not change and does not impact cost of sales. Pipeline fill is depreciated to its residual value, which is equal to the crude oil market price at each balance sheet date. Pipeline fill is tested for impairment annually. The balance of pipeline fill as of 31 December 2006 amounted to 8 532 thousand USD or 22 117 thousand LTL (In 2006 - 8 532 thousand USD or 22 443 thousand LTL).

(c) Accounting for carbon dioxide emission rights

The Group participates in a carbon dioxide cap and trade scheme. It is set a target to reduce its emissions of carbon dioxide to a specified level (the cap). The Group is issued allowances equal in number to its cap by the Government. Allowances are issued free of charge. The Group measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances, i.e. zero. Any excess emissions to be purchased are measured at the market value of allowances at the period end. When unused emission allowances are sold, sale proceeds are recognised in the income (loss) statement upon sale. Management believes that this policy helps to avoid profit (loss) statement volatility related to the different measurement bases and the timing of recognition of the emission rights asset and the liability arising from the emission of pollutants. The market value of remaining unused carbon dioxide allowances of the Group amounted to 5 292 thousand USD or 13 718 thousand LTL as of 31 March 2007 (In 2006: 31 720 thousand USD or 83 436 thousand LTL). During the three month period ended 31 March 2007 the Group did not sell any emission allowances. However, during the year ended 31 December 2006 the income from the sale of emission allowances amounted to 13 415 thousand USD or 35 937 thousand LTL.

(d) Accounting for capital investment relief

According to the Investment Agreement signed on 29 October 1999 between the Company, the Government and Williams International Company (from 19 September 2002 replaced by Yukos Finance B.V.) which was valid until 15 December 2006 when Yukos International UK B.V. sold its shareholding in the Company to PKN ORLEN, the Company could reduce its taxable profits by the capital investment relief. The Investment Agreement guaranteed that starting from 29 October 1999 for a period of 10 years the portion of taxable profit of the Company utilised for investment in Property, plant and equipment was taxed at a corporate profit tax rate of 0 percent. During the reporting period the Group recognised capital investment relief for the period from 1 January 2006 to 15 December 2006. Accordingly the Group reduced its income tax expenses by capital investment relief of 2 667 thousand USD or 7 337 thousand LTL. During the reporting period ended 31 March 2007 the Group did not use capital investment relief. The Group believes that the capital investment relief represents an investment tax credit. Accounting for investment tax credits is not addressed in IFRS and the Group therefore considered requirements and guidance dealing with similar and related issues. Management considered accounting treatment of the relief as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, or as a tax credit under IAS 12, *Income Taxes*. However, as the relief is contingent on qualifying capital expenditures, management decided that the most appropriate accounting policy is to recognise the tax benefits of the capital investment relief in the period in which the qualifying capital expenditures are incurred.

(e) The Company's selection of the USD as its functional currency

The Company selected the USD as its functional currency because the most of its income and the majority of its costs are influenced by the international oil prices, which are set in the USD. In addition, the majority of the Company's borrowings and receipts from operating activities are in the USD. The management uses the USD to manage business risks and exposures and to measure performance of the business. The management of the Company believes that the USD is the currency of the primary economic environment in which the Company operates.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(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 filling stations network. 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. Up to the end of July 2006 the Terminal was used for crude oil export. After suspension of crude oil supply by pipeline via Russia the Group started using own oil terminal for import of crude oil intended for refining. The Pipeline segment comprises a section of the Druzhba pipeline situated in the territory of the Republic of Lithuania and the lines connecting Biržai Pipeline with the Oil Refinery and Terminal. Before suspension of crude oil supply by pipeline via Russia in July, 2006 the pipeline operator used to transport crude oil to the Oil Refinery and Būtingė Oil Terminal and the crude oil and the petroleum products to Ventspils Terminal (Latvia). From July 2006 the pipeline operator transports the petroleum products to the Ventspils Terminal.

The Group owns approximately 25 petrol stations in Lithuania, 9 petrol stations, are operated by the customer of the Group, under franchise contract.

The Group allocates costs between segments directly.

The segment results for the three months ended 31 March 2007 were as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	588 530	862	1 558	15 816	-	606 766
Inter-segment sales	(7 278)	-	-	(6)	-	(7 284)
Sales	581 252	862	1 558	15 810	-	599 482
Operating profit / segment result	(51 758)	(4 475)	(375)	226	(144)	(56 526)
Finance income						4 447
Finance costs						(7 686)
Share of profit of associates	10	-	-	-	-	10
Profit before income tax						(59 755)
Income tax expense (Note 14)						8 508
Profit for the period						(51 247)

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	1 550 130	2 270	4 104	41 658	-	1 598 162
Inter-segment sales	(19 170)	-	-	(16)	-	(19 186)
Sales	1 530 960	2 270	4 104	41 642	-	1 578 976
Operating profit / segment result	(136 323)	(11 787)	(988)	595	(379)	(148 882)
Finance income						11 710
Finance costs						(20 243)
Share of profit of associates	25	-	-	-	-	25
Profit before income tax						(157 390)
Income tax expense (Note 14)						22 409
Profit for the period						(134 981)

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(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 2006 were as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
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)
Sales	1 120 685	4 820	6 255	8 612	3	1 140 375
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
Profit before income tax						55 364
Income tax expense (Note 14)						(8 689)
Profit for the period						46 675

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
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)
Sales	3 217 150	13 837	17 956	24 722	9	3 273 674
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
Profit before income tax						158 934
Income tax expense (Note 14)						(24 944)
Profit for the period						133 990

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

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

5. Property, plant and equipment

USD	Land and buildings	Plant and machinery	Other PPE	Construction in progress	Total
At 1 January 2006					
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
Three months ended 31 March 2006					
Opening net book amount at 31 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)
Re-classification	424	561	17	(1 002)	-
Transfers	-	-	-	(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
Nine months ended 31 December 2006					
Opening net book amount at 1 April 2006	54 835	354 906	40 019	63 087	512 847
Exchange differences	1 193	819	194	76	2 282
Additions	3 752	20 132	5 245	63 005	92 134
Disposals	(725)	(445)	(87)	-	(1 257)
Retirements	(31)	(27)	(30)	(91)	(179)
Re-classification	1 098	11 276	82	(12 456)	-
Re-classification from (to) to other assets	-	16	-	(27)	(11)
Reversal of impairment	52	30	-	-	82
Depreciation charge	(1 909)	(26 430)	(3 816)	-	(32 155)
Closing net book amount at 31 December 2006	58 265	360 277	41 607	113 594	573 743
At 31 December 2006					
Cost	89 384	706 831	80 511	113 594	990 320
Accumulated depreciation and impairment	(31 119)	(346 554)	(38 904)	-	(416 577)
Net book amount	58 265	360 277	41 607	113 594	573 743
Three months ended 31 March 2007					
Opening net book amount at 1 January 2007	58 265	360 277	41 607	113 594	573 743
Exchange differences	197	82	33	2	314
Additions	-	567	5 487	69 772	75 826
Disposals	(20)	-	-	-	(20)
Retirements	-	(130)	(122)	(437)	(689)
Re-classification	330	5 619	173	(6 122)	-
Re-classification from (to) to other assets	284	-	-	-	284
Reversal of impairment	-	-	1	-	1
Depreciation charge	(651)	(7 074)	(1 413)	-	(9 138)
Closing net book amount at 31 March 2007	58 405	359 341	45 766	176 809	640 321
At 31 March 2007					
Cost	90 245	712 664	85 743	176 809	1 065 461
Accumulated depreciation and impairment	(31 840)	(353 323)	(39 977)	-	(425 140)
Net book amount	58 405	359 341	45 766	176 809	640 321

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

5. Property, plant and equipment (continued)

LTL	Land and buildings	Plant and machinery	Other PPE	Construction in progress	Total
At 1 January 2006					
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
Three months ended 31 March 2006					
Opening net book amount at 31 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)
Re-classification	1 217	1 610	49	(2 876)	-
Transfers	-	-	-	(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
Nine months ended 31 December 2006					
Opening net book amount at 1 April 2006	157 053	1 016 487	114 619	180 687	1 468 846
Exchange differences	(9 863)	(80 568)	(9 011)	(17 871)	(117 313)
Additions	(1 995)	(1 225)	(237)	-	(3 457)
Disposals	10 223	54 112	14 302	170 200	248 837
Retirements	(83)	(72)	(82)	(248)	(485)
Re-classification	2 964	30 709	220	(33 893)	-
Re-classification from (to) to other assets	-	46	-	(77)	(31)
Reversal of impairment	139	80	-	-	219
Depreciation charge	(5 177)	(71 896)	(10 369)	-	(87 442)
Closing net book amount at 31 December 2006	153 261	947 673	109 442	298 798	1 509 174
At 31 December 2006					
Cost	235 116	1 859 249	211 777	298 798	2 604 940
Accumulated depreciation and impairment	(81 855)	(911 576)	(102 335)	-	(1 095 766)
Net book amount	153 261	947 673	109 442	298 798	1 509 174
Three months ended 31 March 2007					
Opening net book amount at 1 January 2007	153 261	947 673	109 442	298 798	1 509 174
Exchange differences	(1 712)	(13 507)	(1 675)	(6 970)	(23 864)
Additions	-	1 493	14 452	183 772	199 717
Disposals	(53)	-	-	-	(53)
Retirements	-	(342)	(321)	(1 151)	(1 814)
Re-classification	869	14 800	456	(16 125)	-
Reversal of impairment	-	-	3	-	3
Re-classification from (to) to other assets	748	-	-	-	748
Depreciation charge	(1 715)	(18 632)	(3 722)	-	(24 069)
Closing net book amount at 31 March 2007	151 398	931 485	118 635	458 324	1 659 842
At 31 March 2007					
Cost	233 934	1 847 369	222 263	458 324	2 761 890
Accumulated depreciation and impairment	(82 536)	(915 884)	(103 628)	-	(1 102 048)
Net book amount	151 398	931 485	118 635	458 324	1 659 842

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

5. Property, plant and equipment (continued)

As at 31 March 2007 property, plant and equipment with the net book value of 1 281 thousand USD or 3 320 thousand LTL (December 2006 – 5 313 thousand USD or 13 976 thousand LTL) was provided as collateral for bank borrowings (Note 12).

6. Intangible assets

USD

	Software	Patents and licences	Software under development	Total
At 1 January 2006				
Cost	8 328	6 073	-	14 401
Accumulated amortization	(5 269)	(5 216)	-	(10 485)
Net book amount	3 059	857	-	3 916
Three months ended 31 March 2006				
Opening net book amount at 31 January 2006	3 059	857	-	3 916
Exchange differences	7	-	-	7
Additions	69	-	-	69
Amortization charge	(284)	(100)	-	(384)
Closing net book amount at 31 March 2006	2 851	757	-	3 608
Nine months ended 31 December 2006				
Opening net book amount at 1 April 2006	2 851	757	-	3 608
Exchange differences	21	-	2	23
Additions	158	-	4 858	5 016
Amortization charge	(873)	(298)	-	(1 171)
Closing net book amount at 31 December 2006	2 157	459	4 860	7 476
At 31 December 2006				
Cost	8 389	6 051	4 860	19 300
Accumulated depreciation and impairment	(6232)	(5 592)	-	(11 824)
Net book amount	2 157	459	4 860	7 476
Three months ended 31 March 2007				
Opening net book amount at 1 January 2007	2 157	459	4 860	7 476
Exchange differences	3	-	-	3
Additions	285	-	35	320
Amortization charge	(301)	(100)	-	(401)
Closing net book amount at 31 March 2007	2 144	359	4 895	7 398
At 31 March 2007				
Cost	8 700	6 050	4 895	19 645
Accumulated amortization	(6 556)	(5 691)	-	(12 247)
Net book amount	2 144	359	4 895	7 398

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

6. Intangible assets (continued)

LTL

	Software	Patents and licences	Software under development	Total
At 1 January 2006				
Cost	24 236	17 674	-	41 910
Accumulated amortization	(15 334)	(15 180)	-	(30 514)
Net book amount	8 902	2 494	-	11 396
Three months ended 31 March 2006				
Opening net book amount at 31 January 2006	8 902	2 494	-	11 396
Exchange differences	(121)	(39)	-	(160)
Additions	198	-	-	198
Amortization charge	(815)	(287)	-	(1 102)
Closing net book amount at 31 March 2006	8 164	2 168	-	10 332
Nine months ended 31 December 2006				
Opening net book amount at 1 April 2006	8 164	2 168	-	10 332
Exchange differences	(551)	(153)	(230)	(934)
Additions	429	-	13 014	13 443
Amortization charge	(2 368)	(808)	-	(3 176)
Closing net book amount at 31 December 2006	5 674	1 207	12 784	19 665
At 31 December 2006				
Cost	22 066	15 917	12 784	50 767
Accumulated depreciation and impairment	(16 392)	(14 710)	-	(31 102)
Net book amount	5 674	1 207	12 784	19 665
Three months ended 31 March 2007				
Opening net book amount at 1 January 2007	5 674	1 207	12 784	19 665
Exchange differences	(75)	(13)	(187)	(275)
Additions	751	-	92	843
Amortization charge	(793)	(263)	-	(1 056)
Closing net book amount at 31 March 2007	5 557	931	12 689	19 177
At 31 March 2007				
Cost	22 552	15 683	12 689	50 924
Accumulated amortization	(16 995)	(14 752)	-	(31 747)
Net book amount	5 557	931	12 689	19 177

In 2005 the Group was issued allowances by the Government to emit 6 622 887 tons of carbon dioxide in 2005 – 2007. In the balance sheet the Group recognized allowances and the related government grant at a nominal value, 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 recognized in the balance sheet of the Group. Until 31 March 2007 actual emissions of the Group amounted to 467 548 tons (December 2006: 1 943 226 tons) and in 2006 the Group sold the allowance to emit 1 570 000 tons of carbon dioxide. The market value of remaining unused allowances amounted to 5 292 thousand USD or 13 718 thousand LTL as of 31 March 2007 (December 2006: 31 720 thousand USD or 83 436 thousand LTL)

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

7. Inventories

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Raw materials and auxiliary materials (at cost)	96 430	249 966	21 016	55 280
Raw materials and auxiliary materials (at net realisable value)	-	-	110 491	290 636
Finished goods and goods for resale (at cost)	114 009	295 533	53 031	139 492
Finished goods and goods for resale (at net realisable value)	1 461	3 787	115 077	302 699
Semi-finished goods (at cost)	48 740	126 344	4 588	12 068
Semi-finished goods (at net realisable value)	-	-	11 946	31 423
Spare parts and other (at cost)	37 090	96 145	32 269	84 881
	<u>297 730</u>	<u>771 775</u>	<u>348 418</u>	<u>916 479</u>

Inventory amounting to 110 000 thousand USD or 285 142 thousand LTL (December 2006: 112 500 thousand USD or 295 920 thousand LTL) is provided as collateral for letters of credit and guarantees issued by the banks on behalf of the Group.

8. Trade and other receivables

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Trade receivables	89 981	233 249	100 450	264 224
Less provision for impairment of receivables	(17 694)	(45 866)	(17 742)	(46 669)
Trade accounts receivable-net	72 287	187 383	82 708	217 555
Receivables from related parties (Note 19)	7 679	19 906	905	2 381
Prepaid and recoverable taxes, other than corporate income tax	17 063	44 231	3 613	9 504
Accrued income and deferred charges	19 751	51 198	4 351	11 445
Other receivables	14 533	37 672	2 299	6 047
	<u>131 313</u>	<u>340 390</u>	<u>93 876</u>	<u>246 932</u>

Receivables amounting up to 19 633 thousand USD or 50 893 thousand LTL (December 2006 – 61 770 thousand USD or 162 497 thousand LTL) are provided as collateral for letters of credit issued by the banks on behalf of the Group.

9. Cash and cash equivalents

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Cash at bank and on hand	203 304	527 005	288 984	760 143
Bonds issued by financial institutions	50 000	129 610	82 300	216 482
Short-term bank deposits	-	-	65 098	171 234
	<u>253 304</u>	<u>656 615</u>	<u>436 382</u>	<u>1 147 859</u>

The effective interest rate on short-term bank deposits as of 31 December 2006 was 4.98 %. As of 31 December 2006 these deposits had an average maturity of 47 days.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(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 by banks for settlements with suppliers is presented below:

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Cash and short-term deposits held at banks to secure issued letters of credit	60 269	156 229	206 892	544 209
Cash held at banks to secure guaranties issued by banks	6 660	17 264	6 563	17 263
Bonds held at banks to secure issued letters of credit	-	-	82 300	216 482
	<u>66 929</u>	<u>173 493</u>	<u>295 755</u>	<u>777 954</u>

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

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Cash and cash equivalents	253 304	656 615	436 382	1 147 859
Bank overdrafts (Note 12)	(19)	(49)	(701)	(1 844)
	<u>253 285</u>	<u>656 566</u>	<u>435 681</u>	<u>1 146 015</u>

Cash at bank to be maintained under the terms of letters of credit and guarantees were 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 51 682 thousand USD or 133 970 thousand LTL (December 2006: 10 656 thousand USD or 28 030 thousand LTL) is provided as collateral for bank borrowings and for letters of credit and guarantees issued by banks on behalf of the Group.

10. Share capital

As of 31 March 2007, the Company's authorized share capital comprised 708,821,122 (December 2006: 708 821 122) ordinary registered shares with a par value of 1 LTL per share. All issued shares are fully paid.

In 2007 there were no any changes in number of shares.

On 28 December 2006 the Company issued 1,366,992 shares to the shareholders of AB Mažeikių Elektrinė as the purchase consideration for 14.28% of AB Mažeikių Elektrinė ordinary share capital. The fair value of the shares issued amounted to 5,275 thousand USD or 13,875 thousand LTL (3.86 USD or 10.15 LTL per share).

11. Trade and other payables

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Trade payables	49 556	128 459	293 128	771 042
Amounts due to related parties (Note 19)	137 752	357 081	146	384
Advances received	5 926	15 361	1 458	3 836
Accruals and deferred income	26 521	68 748	15 087	39 685
Taxes other than corporate income tax	61 751	160 071	47 146	124 013
Social security contributions	1 997	5 177	1 970	5 183
Other current liabilities	4 775	12 377	946	2 488
	<u>288 278</u>	<u>747 274</u>	<u>359 881</u>	<u>946 631</u>

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

12. Borrowings

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Non-current				
Bank borrowings	157 308	407 774	160 112	421 158
Loans from related parties (Note 19)	290 107	752 015	290 090	763 053
	<u>447 415</u>	<u>1 159 789</u>	<u>450 202</u>	<u>1 184 211</u>
Current				
Bank overdrafts	19	49	701	1 844
Bank borrowings	5 849	15 163	5 881	15 469
Loans from related parties (Note 19)	287	744	282	742
Finance lease liabilities	-	-	30	79
	<u>6 155</u>	<u>15 956</u>	<u>6 894</u>	<u>18 134</u>
Total borrowings	<u>453 570</u>	<u>1 175 745</u>	<u>457 096</u>	<u>1 202 345</u>

Total borrowings include collateralised liabilities of 2 650 thousand USD or 6 869 thousand LTL (December 2006 – 3 438 thousand USD or 9 043 thousand LTL). Cash (Note 9) and Property, plant and equipment (Note 5) of the Group is provided as collateral for bank borrowings. Borrowings amounting to 160 526 thousand USD or 416 115 thousand LTL (December 2006: 163 158 thousand USD or 429 171 thousand LTL) are guaranteed by the Government.

Borrowings amounting to 163 176 thousand USD or 422 986 thousand LTL (December 2006: 166 597 thousand USD or 438 216 thousand LTL) are bearing floating interest rate with repricing period between 3 and 6 months. Borrowings amounting to 290 394 thousand USD or 752 759 thousand LTL (December 2006: 290 469 thousand USD or 764 050 thousand LTL) are bearing fixed interest rate.

Maturity dates for non-current borrowings (excluding finance lease liabilities) are as follows:

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Between 1 and 2 years	80 690	209 165	6 086	16 011
Between 2 and 5 years	311 859	808 400	279 518	735 243
Over 5 years	54 866	142 224	164 598	432 957
	<u>447 415</u>	<u>1 159 789</u>	<u>450 202</u>	<u>1 184 211</u>

The borrowings outstanding as of 31 March 2007 and 31 December 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 or which value exceeds amounts specified in the loan agreements, restricted entering into lease agreements or assuming any obligations on behalf of third parties pursuant to guarantees, asset pledge or any other agreements if the Group commitments exceed the amounts specified in loan agreements, restricted investments into other entities if the Group's commitments exceed the amounts specified in the loan agreements, prohibited granting of loans to the third parties if the loan amount exceeds the amount specified in the loan agreements, throughout the duration of the loan agreements without the lenders' approval. The management believes that the Group has complied with these covenants.

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

13. Expenses by nature

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Depreciation and amortization (Notes 5 and 6)	9 539	25 125	14 338	41 160
Wages and salaries	16 384	43 152	12 984	37 273
Social security costs	4 982	13 123	4 002	11 489
Costs of crude oil and feedstock	531 648	1 400 307	932 047	2 675 627
Additives and catalysts	1 157	3 046	1 887	5 417
Changes in inventories of finished goods and semi-products	34 249	90 208	42 896	123 142
Transit and freight	8 978	23 647	25 641	73 608
Railway services	8 864	23 347	12 530	35 970
Terminal and laboratory services	3 638	9 582	6 985	20 052
Electricity	4 357	11 475	6 097	17 503
Intermediary services	1 475	3 886	4 735	13 593
Consumables and office supplies	3 112	8 198	3 840	11 023
Taxes other than corporate income tax	1 589	4 186	1 778	5 104
Insurance	2 217	5 840	1 784	5 121
Operating lease	1 970	5 188	1 677	4 814
Professional fees	3 980	10 484	2 423	6 956
Insurance event costs	8 567	22 566	-	-
Other expenses	9 377	24 695	8 593	24 667
	<u>656 083</u>	<u>1 728 055</u>	<u>1 084 237</u>	<u>3 112 519</u>
Classified as:				
- cost of sales	599 887	1 580 042	1 012 637	2 906 977
- selling and marketing expenses	29 452	77 573	54 396	156 155
- administrative expenses	26 744	70 440	17 204	49 387
	<u>656 083</u>	<u>1 728 055</u>	<u>1 084 237</u>	<u>3 112 519</u>

14. Income tax expense

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Current tax	116	306	9 421	27 045
Deferred tax	(8 624)	(22 715)	(732)	(2 101)
	<u>(8 508)</u>	<u>(22 409)</u>	<u>8 689</u>	<u>24 944</u>

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

15. Earnings per share

Basic

Basic earnings per share are 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 2007		31 March 2006	
	USD	LTL	USD	LTL
Profit (loss) attributable to equity holders of the Company	(51 250)	(134 988)	46 549	133 628
Weighted average number of ordinary shares in issue (thousands)	708 821	708 821	707 454	707 454
Basic earnings per share (USD or LTL per share)	(0,072)	(0,190)	0,066	0,189

Diluted

The Company does not have potentially dilutive ordinary shares.

16. Cash generated from operations

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Profit for the period	(51 247)	(134 988)	46 675	133 990
Adjustments for:				
- income tax (Note 14)	(8 508)	(22 409)	8 689	24 944
- depreciation (Note 5)	9 138	24 069	13 954	40 058
- amortisation (Note 6)	401	1 056	384	1 102
- (profit) from sale of non-current assets classified as held for sale	-	-	(53)	(51)
- (profit) from sale of property, plant and equipment	(158)	(71)	(176)	(503)
- retirement of Property, plant and equipment (Note 6)	689	1 814	41	118
- reversal of impairment of Property, plant and equipment (Note 6)	(1)	(3)	-	-
- interest income	(2 861)	(7 534)	(5 569)	(15 986)
- interest expense	7 686	20 243	7 566	21 720
- net movement in provisions for liabilities	12	(307)	-	-
- share of (profit) of associates	(39)	(45)	(18)	(51)
- exchange (gains)/losses on borrowings	781	(14 987)	41	(21 251)
Changes in working capital:				
- inventories	50 688	144 704	17 713	62 584
- Trade-related and other receivables	(30 579)	(74 584)	(134 529)	(378 043)
- Trade-related and other payables	(75 072)	(226 147)	3 161	(9 520)
Cash generated from operations	(99 070)	(289 189)	(42 121)	(140 889)

17. Contingencies

There were no significant changes in contingent liabilities and contingent assets since 31 December 2006.

18. Commitments

Capital commitments

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

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Property, plant and equipment	99 684	258 401	65 202	171 507

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

19. Related-party transactions

As of 31 March 2007 PKN ORLEN was the major shareholder of the Company.

By 15 December 2006, Yukos International UK B.V. was the major shareholder of the Company. Following Investment Agreement Yukos Finance B.V. also had the Company's management rights. On 31 December 2006 PKN Orlen became the major shareholder of the Company after it has acquired the major portion of Company's shares on 15 December 2006. Ministry of Treasury of Poland is the major party controlling the Group.

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

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 2007		31 March 2006	
	USD	LTL	USD	LTL
- UAB Naftelf	1 147	3 021	5 904	16 949
- Yukos Group* (related by 15 December 2006)	-	-	8	23
Polski Koncern Naftowy ORLEN S.A. (related from 15 December 2006)	8 972	23 632	-	-
- PKN Orlen Group**(related from 15 December 2006)	14 767	38 894	-	-
	<u>24 886</u>	<u>65 547</u>	<u>5 912</u>	<u>16 972</u>

(b) Purchases of goods and services

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
- Yukos Finance B.V. (management fee) (related by 15 December 2006)	-	-	359	1 031
- Polski Koncern Naftowy ORLEN S.A. (crude oil purchase) (related from 15 December 2006)	253 897	668 738	-	-
- Polski Koncern Naftowy ORLEN S.A. (services purchase) (related from 15 December 2006)	1 064	2 802	-	-
	<u>254 961</u>	<u>671 540</u>	<u>359</u>	<u>1 031</u>

(c) Tax expenses – the Government

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Income tax	(8 544)	(22 504)	8 545	24 530
Taxes other than corporate income tax	1 570	4 135	1 776	5 098
Social security costs	4 898	12 901	3 930	11 282
	<u>(2 076)</u>	<u>(5 468)</u>	<u>14 251</u>	<u>40 910</u>

(d) Tax expenses – the Polish Government

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Income tax	66	173	-	-
Taxes other than corporate income tax	-	-	-	-
Social security costs	13	34	-	-
	<u>79</u>	<u>207</u>	<u>-</u>	<u>-</u>

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

19. Related-party transactions (continued)

(e) Key management compensation

	31 March 2007		31 March 2006	
	USD	LTL	USD	LTL
Salaries and other short-term benefits for employees	194	512	150	430

Key management includes 7 (March 2006: 7) members of the management of the Company.

(f) Balances arising from sales/purchases of goods/services

Receivables from related parties (Note 8):

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Polski Koncern Naftowy ORLEN S.A. (related from 15 December 2006)	1 281	3 322	186	489
– PKN Orlen Group**(related from 15 December 2006)	6 329	16 405	690	1 816
UAB Naftelf	69	179	29	76
	<u>7 679</u>	<u>19 906</u>	<u>905</u>	<u>2 381</u>

Amounts due to related parties (Note 11):

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Amounts due to related parties:				
Polski Koncern Naftowy ORLEN S.A. (related from 15 December 2006)	137 719	356 995	66	174
PKN Orlen Group**(related from 15 December 2006)	-	-	9	23
UAB Naftelf	-	-	56	147
Government	33	86	15	40
	<u>137 752</u>	<u>357 081</u>	<u>146</u>	<u>384</u>
Grant of the Government related to purchase of property, plant and equipment	4 963	12 864	4 963	13 055
	<u>142 715</u>	<u>369 945</u>	<u>5 109</u>	<u>13 439</u>

(g) Balances arising from taxes paid/payable – the Government

Prepaid taxes:

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Prepaid income tax	54 443	141 127	53 630	141 068
Prepaid taxes, other than corporate income tax	17 041	44 174	2 435	6 405
	<u>71 484</u>	<u>185 301</u>	<u>56 065</u>	<u>147 473</u>

Taxes payable:

	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Income tax payable	-	-	1 573	4 138
Payable taxes other than corporate income tax	40 476	104 922	25 695	67 588
Payable social security payments	1 933	5 011	1 887	4 964
	<u>42 409</u>	<u>409 933</u>	<u>29 155</u>	<u>76 690</u>

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

19. Related-party transactions (continued)

Deferred income tax:	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Deferred income tax assets	44 374	115 026	35 972	94 621

(h) Balances arising from taxes paid/payable – Polish Government (related from 15 December 2006).

Prepaid taxes:	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Prepaid income tax	3	8	-	-
Prepaid taxes, other than corporate income tax	22	57	65	171
	25	65	65	171

Deferred income tax:	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Deferred income tax assets	194	503	66	174

Taxes payable:	31 March 2007		31 December 2006	
	USD	LTL	USD	LTL
Income tax payable	-	-	-	-
Payable taxes other than corporate income tax	7 310	18 949	12 501	32 883
Payable social insurance payments	17	44	-	-
	7 327	18 993	12 501	32 883

(i) Loans from related parties – Government (Note 12)

	USD	LTL
Beginning of period	290 487	845 376
Interest expense	5 075	14 551
Interest paid	(5 056)	(14 496)
Currency translation differences	26	(13 319)
End of the three month period 31 March 2006	290 532	832 112
Beginning of period	290 532	832 112
Interest expense	15 503	42 048
Interest paid	(15 490)	(42 015)
Repayment of borrowings	(258)	(695)
Currency translation differences	100	(67 616)
End of the nine month period 31 December 2006	290 387	763 834
Beginning of period	290 387	763 834
Interest expense	5 074	13 328
Interest paid	(5 056)	(13 281)
Currency translation differences	22	(11 036)
End of the three month period 31 March 2007	290 427	752 845

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

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

19. Related-party transactions (continued)

Loans from related parties consist of loans granted by the Government to the Company amounting to 288 927 thousand USD or 748 957 thousand LTL (December 2006: 288 927 thousand USD or 759 994 thousand LTL) and Mažeikių Elektrinė AB amounting to 1 467 thousand USD or 3 802 thousand LTL (December 2006: 1 445 thousand USD or 3 801 thousand LTL) plus interest accrued amounting to 33 thousand USD or 86 thousand LTL (December 2006: 15 thousand USD or 39 thousand LTL).

An interest of 7 percent per annum is payable on the loan granted by the Government to the Company (2006 – 7 percent). 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 AB Mažeikių Elektrinė (2006 – 4.95 percent). Loan has to be repaid by 15 April 2011.

*Yukos Oil Company OAO, Yukos Finance B.V. are treated as the Yukos Group companies.

**Orlen Gaz Sp.z.o.o., ORLEN PetroCentrum Sp.z.o.o., ORLEN Morena Sp.z.o.o. are treated as PKN ORLEN Group companies.