

AB Klaipėdos Nafta

Financial statements
for the year ended 31 December 2003

In accordance with International Financial Reporting Standards

■ Ernst & Young Baltic UAB

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Code of legal person 1087844
VAT payer code LT108784411
Register of Legal Persons

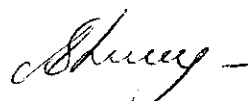
Independent auditor's report to the shareholders of AB Klaipėdos Nafta

1. We have audited the accompanying balance sheet of AB Klaipėdos Nafta (a joint stock company registered in the Republic of Lithuania, hereinafter the "Company") as of 31 December 2003 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except as discussed in paragraph 3 below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants (IFAC) and National Auditing Standards of Lithuania as set forth by the Lithuanian Chamber of Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company has accounted for surplus oil products, resulting from reloading, in the inventories balance in an amount of Litas 6,802 thousand as of 31 December 2003. This amount represents total surplus identified less a share proportionally attributable to AB Mažeikių Nafta. We have not been able to verify what share of the surplus, if any, belongs to the Company as no final arrangement was made regarding the sharing of the surplus between the Company and AB Mažeikių Nafta.
4. In our opinion, except for the effect of such adjustments, if any, as might have been required had we been able to perform the procedures disclosed in paragraph 3 above, the financial statements referred to above present fairly, in all material respects, the financial position of AB Klaipėdos Nafta as of 31 December 2003 and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards, issued by the International Accounting Standards Board.

UAB Ernst & Young Baltic
Audit company's licence No. 344



Per Moeller



Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 8 March 2004.

Balance Sheets
as of 31 December 2003 and 2002
(thousand Litass)

<u>Note</u>		<u>2003</u>	<u>2002</u>
ASSETS			
Non-current assets			
	Intangible assets	310	178
3	Property, plant and equipment	484,264	531,168
3, 4	Construction in progress	9,352	194
	Prepayments for non-current assets	1,177	255
5	Loans granted	1,873	-
6	Other financial assets	558	-
	Total non-current assets	<u>497,534</u>	<u>531,795</u>
Current assets			
5	Current portion of loans granted	1,844	-
8	Inventories	9,274	6,213
9	Trade accounts receivable	3,643	4,882
20	Accounts receivable from related parties	2	218
10	Other current assets	1,725	4,128
11	Cash and cash equivalents	8,282	1,592
	Total current assets	<u>24,770</u>	<u>17,033</u>
	TOTAL ASSETS	<u>522,304</u>	<u>548,828</u>

The accompanying notes are an integral part of these financial statements.

Balance Sheets
as of 31 December 2003 and 2002
(thousand Litas)

<u>Note</u>	<u>2003</u>	<u>2002</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
1, 12	Share capital	342,000	325,000
2	Legal reserve	10,352	9,128
	Retained earnings	<u>27,987</u>	<u>14,250</u>
	Total shareholders' equity	<u>380,339</u>	<u>348,378</u>
21	Deferred tax liability	8,721	3,053
Non-current liabilities			
13	Long-term loans	99,301	132,541
13	Long-term lease liabilities	<u>12,815</u>	<u>16,562</u>
	Total non-current liabilities	<u>112,116</u>	<u>149,103</u>
Current liabilities			
	Current portion of long-term loans and lease liabilities	15,193	34,684
13	Accounts payable to related parties	51	7,973
20	Accounts payable to contractors and suppliers	2,963	3,438
	Salaries and social insurance payable	789	750
14	Other current liabilities	<u>2,132</u>	<u>1,449</u>
	Total current liabilities	<u>21,128</u>	<u>48,294</u>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>522,304</u>	<u>548,828</u>
7	Investments		
20	Transactions with related parties		
22	Commitments and contingencies		
24	Personnel expenses and number of employees		
25	Financial instruments		
26	Reconciliation of financial statements prepared based on Lithuanian tax regulations to IFRS financial statements		

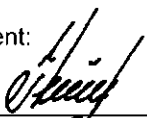
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Statements of Income
for the years ended 31 December 2003 and 2002
(thousand Litas)


<u>Note</u>		<u>2003</u>	<u>2002</u>
	NET SALES	115,529	113,549
15, 23	Cost of sales	<u>(73,879)</u>	<u>(77,434)</u>
	GROSS INCOME	41,650	36,115
16, 23	Operating expenses	(15,229)	(13,798)
17	Other income	<u>4,107</u>	<u>3,544</u>
	OPERATING INCOME	30,528	25,861
18	Financial income (expenses), net	(1,479)	19,404
19	Unusual items	<u>-</u>	<u>2,044</u>
	INCOME BEFORE RESULT IN ASSOCIATED ENTITIES	29,049	47,309
7	Result in associated entities	<u>-</u>	<u>(34)</u>
	INCOME BEFORE INCOME TAX	29,049	47,275
21	Income tax (expenses)	<u>(5,218)</u>	<u>(3,503)</u>
	NET INCOME FOR THE YEAR	<u>23,831</u>	<u>43,772</u>
23	Basic earnings per share (Litas)	0.07	0.13

Klaipėda,
Date of authorisation for issue: March 2004

Management:



Jurgis Aušra
General Director



Johana Bučienė
Deputy of Chief
Financier

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Equity
for the years ended 31 December 2003 and 2002
(thousand Litas)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
Opening balance 2002	325,000	6,720	(27,114)	304,606
Net income for 2002	-	-	43,772	43,772
Transferred to legal reserve	-	2,408	(2,408)	-
Closing balance 2002	325,000	9,128	14,250	348,378
Increase of share capital (Note 1)	17,000	-	-	17,000
Allowance for assets contributed in kind (Note 12)	-	-	(4,079)	(4,079)
Dividends for 2002	-	-	(4,791)	(4,791)
Net income for 2003	-	-	23,831	23,831
Transferred to legal reserve	-	1,224	(1,224)	-
Closing balance 2003	342,000	10,352	27,987	380,339

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
for the years ended 31 December 2003 and 2002
(thousand Litās)

	<u>2003</u>	<u>2002</u>
Cash flow from (to) operating activities:		
Net income before income tax for the year	29,049	47,275
Adjustments to reconcile income (loss) before income tax to net cash provided by operating activities:		
Depreciation and amortisation	49,172	47,563
Interest (income) expenses, net	9,364	14,039
Fees for early repayment of loans	3,687	-
Allowance for inventories and accounts receivable	233	1,049
Effect of equity method application on long-term financial investments	-	34
Reversal of impairment and loss on sale of investment	-	(82)
Reversals of allowances for other accounts receivable and impairment	-	(272)
(Gain) loss on fixed assets disposal	(20)	476
Other income from surplus of oil products	(4,107)	(3,544)
	<u>87,378</u>	<u>106,538</u>
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	1,239	(3,435)
Decrease in accounts receivable from related parties	216	1,093
Decrease (increase) in other current assets	2,403	(1,494)
(Increase) decrease in inventories	(165)	1,549
(Decrease) increase in accounts payable to related parties	(1,115)	2,647
Increase (decrease) in other current liabilities	822	(14,735)
Interest received	487	837
	<u>91,265</u>	<u>93,000</u>
Cash flow from (to) investing activities:		
(Acquisition) of tangible and intangible fixed assets	(2,195)	(1,280)
(Investment) into construction in progress	(8,196)	(1,366)
Proceeds from sale of property, plant and equipment	20	1,472
Proceeds from repayment of long-term loans and other financial assets	677	-
Proceeds from sale of investments and decrease in share capital of associated entity	-	1,408
	<u>(9,694)</u>	<u>234</u>
Cash flow from (to) financing activities:		
Fees (paid) for early repayment of loans	(3,687)	-
Interest (paid)	(9,966)	(14,876)
Dividends paid	(4,750)	-
(Repayment) of loans' financing	(56,478)	(77,673)
	<u>(74,881)</u>	<u>(92,549)</u>
Net increase (decrease) in cash and cash equivalents	6,690	685
Cash and cash equivalents at beginning of the year	1,592	907
Cash and cash equivalents at end of the year	<u>8,282</u>	<u>1,592</u>

The accompanying notes are an integral part of these financial statements.

1. General information

The Company

AB Klaipėdos Nafta (hereinafter – “the Company”) was founded by AB Naftos Terminalas (Lithuania) and Lancaster Steel Inc. (USA), acquiring 51% and 49% of the shares respectively. AB Klaipėdos Nafta was registered on 27 September 1994. The registered address of the Company is Burių str. 19, Klaipėda, Lithuania.

Since 1994 a number of share capital increases took place and consequently the shareholders proportions changed and as of 31 December 2003 the share capital of the Company amounted to Litas 342,000 thousand. The share capital of AB Klaipėdos Nafta consists of 342,000 thousand ordinary registered shares with a nominal value of Litas 1 each. All shares are authorised, issued and fully paid. The shareholders' structure of the Company as of 31 December 2003 and 2002 was as follows:

	2003		2002	
	Number of shares (thousand)	Ownership (percent)	Number of shares (thousand)	Ownership (percent)
Government of Lithuania, represented by the Ministry of Economy	228,938	66.9	228,938	70.4
AB Naftos Terminalas	17,000	5.0	-	-
Other (less than 5% each)	96,062	28.1	96,062	29.6
Total	342,000	100.0	325,000	100.0

In 2003 the Company has increased its share capital by 17,000 ordinary shares with the par value of Litas 1. The share capital increase was registered on 6 February 2003. The whole share emission was acquired by AB Naftos Terminalas. The Company has not received cash contributions but converted payables to AB Naftos Terminalas and received current and non-current assets from AB Naftos Terminalas.

Subsidiaries

The Company's subsidiary UAB Klaipėdos Tranzito Servisas was liquidated in 2003. The carrying value of the investment in this subsidiary was zero as of 31 December 2002 and the Company has incurred no additional expenses in 2003 in respect of this.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litass unless otherwise stated)

2. Accounting policies

The principal accounting policies adopted in preparing the Company's financial statements as of 31 December 2003 and 2002 are as follows:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect as of 31 December 2003.

AB Klaipėdos Nafta maintains its books and records in accordance with Lithuanian tax rules. The accompanying financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of AB Klaipėdos Nafta in order to conform the Lithuanian tax balances to financial statements prepared in accordance with IFRS. The adjustments are summarized in Note 26.

Preparation and measurement currency

The amounts shown in these financial statements are presented in the local currency, Litas.

Lithuanian Litas was pegged to US dollar at the rate of 4 Litas for 1 US dollar until 2 February 2002. From 2 February 2002 the Litas was pegged to EUR at the rate of Litas 3.4528 for EUR 1.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and price discounts directly related to sales.

Oil products originated after the ballast water purification in the Company's waste water treatment facilities and surplus identified in the Company's reservoirs and pipelines are recognised as other income according to the market price at the recognition date.

Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Accounts receivable and loans

Receivables and loans are initially stated at the fair value of the consideration given and are carried at amortised cost, after allowance for impairment.

2. Accounting policies (cont'd)

Inventories

Inventories are stated at the lower of cost or net realizable value, where cost is defined as acquisition cost with an addition of transportation costs, after allowance for obsolete and slow moving items.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment loss. Intangible assets are amortized using the straight-line method over their useful lives. Useful lives are from 1 to 3 years.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss. Straight-line depreciation is provided over the estimated useful lives of the assets.

The Company capitalizes property, plant and equipment improvements and purchases with an estimated useful life of more than one year. Presented below are useful lives of the Company's property, plant and equipment:

Buildings and structures	15 – 40 years
Machinery and equipment	5 – 40 years
Other tangible non-current assets	3 – 7 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Repairs are charged to the statement of income in the period they are incurred.

Renewals are added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investments

The Company's investments in subsidiaries and associated entities (i.e. where the Company has a control or where the Company has influence) are stated in accordance with the equity method, so that the Company includes its proportionate share of post-acquisition results of operations of such subsidiaries and associated entities in the statement of income. As a result, the recorded value of the investment corresponds to the Company's proportionate share of the equity hold in the subsidiaries and associated entities.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litass unless otherwise stated)

2. Accounting policies (cont'd)

Other long-term investments that are intended to be held-to-maturity, such as bonds, are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the statement of income when the investments are amortised or impaired.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or have decreased. The reversal is recorded in the statement of income.

Financial lease

The Company recognises financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is the same as for the similar property, plant and equipment.

Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net income or loss when the liabilities are derecognised, as well as through the amortisation process.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litass unless otherwise stated)

2. Accounting policies (cont'd)

Borrowings costs

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Legal Reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of 5% of net profit for the year calculated in accordance with the Lithuanian accounting principles are required until the legal reserve reaches 10% of the share capital. The legal reserve cannot be distributed to the shareholders.

Transactions in foreign currency

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, on the balance sheet date are recognized in the statement of income. Such balances are translated at year-end exchange rates.

Income tax

Income tax charge is based on taxable income for the year and considers deferred taxation. Income tax is calculated based on Lithuanian tax legislation.

In Lithuania in 2003 and 2002 the standard income tax rate was 15%. The Company was eligible for a corporate income tax exemption granted in 1996 due to the foreign investments made during 1995 and 1996. Taxable income for 2001 has been taxed at the rate of 12% (50% of the prevailing 24% tax rate for 2001). Till 30 September 2002 taxable income was taxed at the rate of 7.5% (50% of the prevailing 15% tax rate for 2002) and the standard rate of 15% for the later periods. Tax losses can be carried forward for 5 consecutive years.

Deferred taxes are calculated using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litass unless otherwise stated)

2. Accounting policies (cont'd)

Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised when it is probable that sufficient taxable income will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, bad debt allowances and impairment evaluation. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. The related parties in this report consist of the Company's subsidiaries and associated entities, management, shareholders and their family members.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits are probable.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Segment reporting

The Company operates in one business and geographical segment.

Comparative figures

Where necessary, the comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litass unless otherwise stated)

3. Property, plant and equipment

Movements of the Company's property, plant and equipment during 2003 can be specified as follows:

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other property, plant and equip- ment</u>	<u>Construc- tion in progress (see Note 4)</u>	<u>Total</u>
COST:					
Balance as of					
31 December 2002	376,778	294,903	6,180	194	678,055
Additions	1,077	534	577	9,229	11,417
Retirements	(10)	(136)	(173)	(55)	(374)
Transfers between captions	-	(379)	395	(16)	-
Balance as of					
31 December 2003	<u>377,845</u>	<u>294,922</u>	<u>6,979</u>	<u>9,352</u>	<u>689,098</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance as of					
31 December 2002	58,639	83,490	4,564	-	146,693
Charge for the year	20,076	28,141	884	-	49,101
Retirements	(8)	(132)	(172)	-	(312)
Transfers between captions	-	(279)	279	-	-
Balance as of					
31 December 2003	<u>78,707</u>	<u>111,220</u>	<u>5,555</u>	<u>-</u>	<u>195,482</u>
NET BOOK VALUE					
as of 31 December 2003	<u>299,138</u>	<u>183,702</u>	<u>1,424</u>	<u>9,352</u>	<u>493,616</u>
NET BOOK VALUE					
as of 31 December 2002	<u>318,139</u>	<u>211,413</u>	<u>1,616</u>	<u>194</u>	<u>531,362</u>
AVERAGE DEPRECIATION RATE	5 %	10 %	13 %	-	-

For guarantees issued by the Government of the Republic of Lithuania for the loans provided by ABN AMRO Bank and AB Kredyt Bank S.A. Vilnius division, AB Vilniaus Bankas and the syndicated loan (see Note 13), the Company has collateralised its property, plant and equipment for an amount of Litass 271,369 thousand as of 31 December 2003 (Litass 397,399 thousand as of 31 December 2002). The guarantees for the loans repaid as of 31 December 2003 were not cancelled.

For the loans provided by the Ministry of Finance of the Republic of Lithuania, the Company has provided a secondary pledge of property, plant and equipment for the amount of Litass 57,973 thousand as of 31 December 2003.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litas unless otherwise stated)

3. Property, plant and equipment (cont'd)

The Company has acquired 6 reservoirs and a vehicle under finance lease agreements. The net book value of these assets amounted to Litas 34,347 thousand as of 31 December 2003 (Litas 37,803 thousand as of 31 December 2002).

The depreciation charge for the year 2003 amounts to Litas 49,101 thousand (Litas 47,408 thousand for the year 2002). Litas 48,917 thousand is included in the cost of sales caption and Litas 184 thousand in the operating expenses caption of the statement of income for the year ended 31 December 2003 (Litas 47,339 thousand and Litas 69 thousand respectively for the year ended 31 December 2002).

4. Construction in progress

The balance of construction in progress amounted to Litas 9,352 thousand as of 31 December 2003 (Litas 194 thousand as of 31 December 2002). At the end of 2003 the major part of the construction in progress amounting to Litas 8,607 thousand represents the construction of technological equipment for reloading of crude oil. The project is going to be finished in March – April 2004. The planned completion costs to be incurred in 2004 amount to less than Litas 900 thousand and are going to be financed from the internal resources.

New projects

In 2003 the Company has prepared an investment program for the period 2004 – 2010. This program will allow the Company to be more flexible in the market and to enhance reload capacities for oil products as well as crude oil. All the investments are going to be financed from internal resources according to the management plans.

The new projects can be summarised as follows:

- In 2004 the Company is going to start the reconstruction of two reservoirs for crude oil storage. The estimated costs for reconstruction amount to Litas 27,000 thousand and completion of the construction is planned for 2005;
- In 2004 the Company is going to start and to complete the reconstruction of the biological treatment equipment and expansion of the laboratory of the biological treatment equipment with an estimated costs amounting to Litas 5,979 thousand. This treatment equipment is necessary for the Company in order to comply with the environment pollution restrictions and regulations;
- The Company is also going to start the construction of auxiliary premises, which will replace the currently existing and used buildings for the internal auxiliary services departments of the Company. The construction is going to be started in 2004 with completion in 2005 and with estimated costs amounting to Litas 5,250 thousand.

Notes to financial statements
for the year ended 31 December 2003
(all amounts in thousand Litas unless otherwise stated)

5. Loans granted

On 24 January 2003 as part of a settlement for acquired shares AB Naftos Terminalas transferred to the Company rights to the loans granted to UAB Žavesys, AB Girių Bizonas and AB Klaipėdos Mediena.

	<u>Interest rate</u>	<u>Maturity date</u>	<u>As of 31 December 2003</u>
AB Klaipėdos Mediena	6 months Euro LIBOR+3%	2005/12/28	4,884
AB Girių Bizonas	6 months Euro LIBOR+3%	2005/06/30	2,496
UAB Žavesys	-	2021/03/30	<u>416</u>
Total loans granted			<u>7,796</u>
Less: allowance for loans granted*			<u>(4,079)</u>
Total loans granted, net			3,717
Less: Current portion of loans granted			<u>(1,844)</u>
Total long-term loans granted			<u><u>1,873</u></u>

* The allowance for loans granted comprises full allowance for UAB Žavesys and 75% allowance for AB Klaipėdos Mediena.

The loan granted to AB Girių Bizonas is secured by pledged assets with a total value of Litas 7,502 thousand. AB Klaipėdos Mediena had to pledge assets with a total value of Litas 5,384 thousand as of 1 March 2004, however, the pledge documents were not finalised as of the date of the financial statements issue.

6. Other financial assets

On 24 January 2003 AB Naftos Terminalas as part of a settlement for the acquired shares of the Company transferred its ownership of bonds to the Company. The total bonds' nominal value is USD 202 thousand (equivalent to Litas 558 thousand as of 31 December 2003). They were issued by the bank of foreign trade Vneshtorgbank (Russia). The repurchase of the bonds is to be made on 14 May 2007. The Company is going to hold the bonds until the maturity date. The annual interest rate of the bonds is 3%.

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7. Investments

Investments can be specified as follows:

		<u>Ownership percentage</u>	<u>2003</u>	<u>2002</u>
UAB Laivų Bunkeris	a)	34	34	34
UAB Klaipėdos Tranzito Servisas		-	-	100
			<u>34</u>	<u>134</u>
Impairment of investments into UAB Klaipėdos Tranzito Servisas (2002)			-	(100)
Application of equity method on UAB Laivų Bunkeris			<u>(34)</u>	<u>(34)</u>
Total investment			<u>-</u>	<u>-</u>

- a) The Company has accounted for the investment into UAB Laivų Bunkeris using the equity method in 2003 and 2002. The carrying value of the investment was zero after the application of the equity method as of 31 December 2003 and 2002. The entity performed no operations in 2003.

8. Inventories

Inventories balance mainly includes spare parts and surplus oil products amounting to Litas 14,721 thousand (Litas 12,420 thousand in 2002). A reserve of Litas 5,447 thousand for slow moving inventory has been recorded as of 31 December 2003 (Litas 6,207 thousand as of 31 December 2002). Further, a net realisable value adjustment for surplus oil products in the amount of Litas 780 thousand was accounted for in 2003.

The carrying amount of surplus oil products amounted to Litas 6,802 thousand as of 31 December 2003. This amount represents part (13,302 tons) of the oil products identified by the Company mainly in its reservoirs and pipelines. The remaining part (4,757 tons) is accounted off balance sheet as according to meeting minutes signed it is considered to be the ownership of AB Mažeikių Nafta. The final agreement is not reached at the date of issue of these financial statements, however, the Company's management believe that the intended agreement will be confirmed.

9. Trade accounts receivable

Trade accounts receivable can be specified as follows:

	<u>2003</u>	<u>2002</u>
Trade accounts receivable	3,643	4,922
Less: allowance for doubtful trade accounts receivable	<u>-</u>	<u>(40)</u>
Trade accounts receivable, net	<u>3,643</u>	<u>4,882</u>

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10. Other current assets

Other current assets can be specified as follows:

	<u>2003</u>	<u>2002</u>
Other accounts receivable	1,003	2,619
Assets and operations insurance expenses	672	474
Other deferred expenses	50	46
Loan insurance	-	896
Prepayments	-	93
Total other current assets	<u>1,725</u>	<u>4,128</u>

11. Cash and cash equivalents

Cash can be specified as follows:

	<u>2003</u>	<u>2002</u>
Cash in banks	5,149	1,582
Cash on hand	25	10
Term deposit	<u>3,108</u>	-
Total cash and cash equivalent	<u>8,282</u>	<u>1,592</u>

As of 31 December 2003 the Company had term deposit in the amount of EUR 900 thousand (equivalent of Litas 3,108 thousand as of 31 December 2003) in UAB Sampo Bankas. The annual interest rate is 2.23% and the deposit matures on 1 March 2004.

According to the syndicated loan agreement (Note 13) the Company has collateralised cash in AB Vilniaus Bankas accounts and future cash inflows to the bank's accounts. The cash in AB Vilniaus Bankas accounts amounts to Litas 4,859 thousand as of 31 December 2003.

12. Share capital

In 2003 the Company has increased its share capital by Litas 17,000 thousand. All the share emission was acquired by AB Naftos Terminalas by contributing assets and converting payables that are as follows:

	<u>Value</u>
Property, plant and equipment	1,111
Treasury bonds	815
Loan to AB Klaipėdos Mediena	4,959
Loan to AB Girių Bizonas	2,835
Loan to UAB Žavesys	422
Accounts payable	<u>6,858</u>
Total	<u>17,000</u>

The allowance for the assets contributed in the amount of Litas 4,079 thousand was recorded directly to equity as of the date of share capital increase in order to reflect the fair value of assets contributed.

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13. Long-term loans and lease liabilities

The following long-term loans and lease liabilities have been drawn by the Company:

Lending agency	Ref.	Principal amount (converted to Litas)	Interest rate effective as of 31 December 2003	Balance as of 31 December 2003	Balance as of 31 December 2002
Syndicated loan AB Vilniaus Bankas, AB Bankas Hansabankas and AB Bankas Nord/LB Lietuva	a)	90,012	6 months Euro LIBOR+1.95 %	39,997	49,672
The Ministry of Finance of the Republic of Lithuania	b)	37,570	6 months Euro LIBOR+1.1%	37,570	-
UAB Hanza Lizingas	c)	20,419	6 months Euro LIBOR+2.5%	20,419	22,395
AB Vilniaus Bankas (Lithuania)	d)	44,424	LIBOR+3.5%	16,531	20,000
UAB Vilniaus Banko Lizingas	e)	17,186	6 months LIBOR+2.98%	12,761	15,952
		272	12% 8.1%;	31	98
ABN AMRO Bank (the Netherlands)	f)	159,224	LIBOR+1% LIBOR+1.15%	-	65,073
AB Kredyt Bank S.A. Vilnius division	g)	20,000	3 months LIBOR+3%	-	10,597
Total long-term loans and lease liabilities				127,309	183,787
Less: current portion				(15,193)	(34,684)
Total long-term portion net of current maturities				112,116	149,103

a) The syndicated loan comprises loans received from: AB Vilniaus Bankas (Litas 36,012 thousand), AB Bankas Hansabankas (Litas 36,000 thousand) and AB Bankas Nord/LB Lietuva (Litas 18,000 thousand). AB Vilniaus Bankas is performing as a general syndicator (the loan was converted to EUR from USD in August 2003 and amounted to EUR 11,584 thousand as of 31 December 2003). According to the last amendment the syndicated loan matures on 25 September 2009.

b) The Company repaid the loan from ABN AMRO bank by acquiring a loan of EUR 10,881 thousand (equivalent of Litas 37,570 thousand as of 31 December 2003) from three banks: AB Vilniaus Bankas, AB Bankas Hansabankas and AB Bankas Nord/LB Lietuva. The loan is secured with a guarantee issued by the Ministry of Finance. The loan matures on 31 July 2009.

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13. Long-term loans and lease liabilities (cont'd)

- c) During 2002 the Ministry of Finance repaid loans to ABN Amro Bank that were defaulted by the Company. According to the contract signed on 25 September 2002 the Company has to repay the amount of USD 6,763 thousand (Litas 23,889 thousand as of 25 September 2002) to the Ministry of Finance. The loan repayment starts on 28 February 2006 and the loan has to be fully repaid until 31 May 2008. The loan is administrated by AB Turto Bankas on behalf of the Ministry of Finance. On 1 July 2003 the loan agreement was amended and the loan was converted to EUR from USD and amounted to EUR 5,914 thousand (equivalent of Litas 20,419 thousand) as of 31 December 2003. Interest rate was also changed to 6 month EUR Libor plus 2.5%.
- d) On 20 December 2000 the Company sold its light oil products storage reservoirs to UAB Hanza Lizingas for an amount of Litas 20,000 thousand and operates the mentioned property, plant and equipment under a lease back arrangement, classified as long-term financial lease in these financial statements. Financial lease obligations should be repaid by 30 December 2007, starting from 30 January 2003.
- e) On 31 January 2001 the Company signed a long-term loan agreement with AB Vilniaus Bankas for an amount of Litas 17,186 thousand (equivalent of EUR 4,620 thousand as of the date of the contract sign-off) to finance terminal reconstruction. The loan has to be fully repaid by 31 January 2008. The Company has pledged property, plant and equipment for the loan granted according to the loan agreement.
- f) As of 31 December 2003 the Company fully repaid the loan to ABN AMRO Bank, however, assets still remained pledged for the guarantee issued by the Ministry of Finance due to not finalised formal documentation. Due to the early return of the loan the Company had to pay a fee of USD 1,207 thousand, which is accounted as financial activity loss in the statement of income.
- g) The loan from AB Kredyt Bank S.A. Vilnius division was repaid fully in October 2003.

All long-term loans are denominated in EUR, except for lease liabilities, which are denominated in Litas.

The loan granted by AB Vilniaus Bankas, AB Bankas Hansabankas and AB Bankas Nord/LB Lietuva is guaranteed by the Government of Lithuania. The Company is going to collateralise its property, plant and equipment, which was pledged for the guarantee issued to ABN AMRO bank as the liabilities to ABN AMRO bank were covered as of 31 December 2003.

For all guarantees issued the Company collateralised equipment and machinery, financed by loans taken from those banks (see Note 3).

The syndicated loan and loans from ABN AMRO Bank (repaid in 2003), the Ministry of Finance and AB Vilniaus Bankas were secured by pledge of the Company's property, plant and equipment (see Note 3). For the syndicated loan the Company has also balance pledged cash in AB Vilniaus Bankas account and future cash inflows to the bank's accounts (see Note 11). The balance of this cash amounted to Litas 4,859 thousand as of 31 December 2003 (Litas 1,471 thousand as of 31 December 2002).

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13. Long-term loans and lease liabilities (cont'd)

The future maturity of long-term loans is as follows:

<u>Year</u>	Amount to be repaid
2004	11,446
2005	11,446
2006	19,468
2007	18,602
2008	27,513
Thereafter	<u>22,272</u>
Total long-term loans	<u>110,747</u>

Minimal lease payments of long-term lease liabilities can be specified as follows:

<u>Year</u>	Amount to be repaid
2004	4,774
2005	4,742
2006	4,742
2007	4,742
2008	<u>-</u>
Total minimal lease liabilities	19,000
Less: interest	<u>(2,438)</u>
Present value of minimal lease liabilities	<u>16,562</u>
Representing finance lease liabilities:	
Current	3,747
Non-current	<u>12,815</u>
Total	<u>16,562</u>

During 2004 the Company has to repay loans in the amount of Litas 11,446 thousand and lease liabilities in the amount of Litas 3,747 thousand (in total Litas 15,193 thousand). The current repayment obligations fall throughout the year.

14. Other current liabilities

Other current liabilities consist of the following:

	<u>2003</u>	<u>2002</u>
Real estate tax	1,093	16
Accrued vacation pay	501	501
Accrued railroad expenses	324	-
Advances received	70	65
Interest accrued	32	147
Income tax payable	-	450
Personal income tax	-	208
Other	<u>112</u>	<u>62</u>
Total other current liabilities	<u>2,132</u>	<u>1,449</u>

Notes to financial statements
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15. Cost of sales

Cost of sales consist of the following:

	<u>2003</u>	<u>2002</u>
Depreciation	48,917	47,339
Salaries	7,981	8,225
Social security	2,467	2,509
Heat and steam	6,710	7,844
Railroad expenses	2,839	2,430
Electricity	2,020	2,287
Non-current assets repairs and maintenance	763	3,008
Catering	99	312
Amortisation	71	155
Other	2,012	3,325
	<u>73,879</u>	<u>77,434</u>
Total cost of sales	<u>73,879</u>	<u>77,434</u>

16. Operating expenses

Operating expenses consist of the following:

	<u>2003</u>	<u>2002</u>
Real estate tax	4,373	4,245
Land lease expenses	1,754	1,750
Salaries	1,716	1,716
Social security	717	531
Expenses for infrastructure maintenance	1,400	-
Materials and supplies	1,034	1,504
Asset insurance	779	794
Promotion	745	249
Road tax	563	559
Expenses related to legal dispute resolution	512	-
Net realisable value / allowances for inventory / impairment loss	149	710
Communication expenses	87	104
Fines and overdue interest	40	475
Asset lease expenses	30	64
Other	1,330	1,097
	<u>15,229</u>	<u>13,798</u>
Total operating expenses	<u>15,229</u>	<u>13,798</u>

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17. Other income

Other income represents oil products, which originated after the ballast water purification in the Company's waste water treatment facilities and the surplus identified in the Company's reservoirs and pipelines, in the amount of Litas 4,107 thousand in 2003 (Litas 3,544 thousand in 2002). These products are accounted under the Inventories caption in the balance sheet (Note 8). In 2002 the amount was originally netted off against the cost of sales item in comparative figures as it was considered that surplus oil products would be used for the Company's operations. The comparative figures were classified differently as the use of these products is uncertain and there is no such intent for 2003.

18. Financial income (expenses), net

Financial income (expenses) consist of the following:

	<u>2003</u>	<u>2002</u>
<u>Financial income</u>		
Interest income	487	852
Foreign exchange gain	20,797	40,750
Other	<u>828</u>	<u>1</u>
Total financial income	<u>22,112</u>	<u>41,603</u>
<u>Financial expenses</u>		
Interest expenses and loan administration fees	(9,851)	(14,876)
Fee for early repayment of loan	(3,687)	-
Foreign exchange loss	(9,872)	(7,009)
Other	<u>(181)</u>	<u>(314)</u>
Total financial expenses	<u>(23,591)</u>	<u>(22,199)</u>
Total financial income (expenses), net	<u>(1,479)</u>	<u>19,404</u>

Foreign currency exchange gain and loss mainly occurred due to revaluation of loans balances denominated in USD. As of 31 December 2003 all loans were denominated in EUR.

19. Unusual items

The Company's unusual items for 2002 represents the recovered real estate tax for the previous years. Recalculation of the tax and the amount was approved by the tax authorities.

Notes to financial statements
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20. Transactions with related parties

The related parties of the Company include associated entities, subsidiaries, shareholders, and members of the Board of Directors.

AB Naftos Terminalas was a shareholder of the Company. UAB Laivų Bunkeris is an associated entity of the Company. Osman Trading AB was a shareholder of the Company in 2002. UAB Klaipėdos Tranzito Servisas was a subsidiary of the Company in 2002. It was liquidated in 2003.

The transactions with related parties for the year 2003 and the balances with related parties as of 31 December 2003 can be summarized as follows:

Related party	Accounts receivable	Accounts payable	Revenues	Expenses
AB Naftos Terminalas	2	-	47	-
Other shareholders (dividends payable)	-	51	-	-
Total	2	51	47	-

The transactions with related parties for the year 2002 and the balances with related parties as of 31 December 2002 can be summarized as follows:

Related party	Accounts receivable	Accounts payable	Revenues	Expenses
AB Naftos Terminalas	17	5,910	102	749
Osman Trading AB	159	-	16,202	-
UAB Klaipėdos Tranzito Servisas	42	-	227	6
AB Naftos Terminalas (dividends payable)	-	1,661	-	-
Osman Trading AB (dividends payable)	-	228	-	-
Other shareholders (dividends payable)	-	174	-	-
Total	218	7,973	16,531	755

Revenues from related parties represent payments for loading and bunker services.

Expenses include payments for boiler house services and rent of premises.

Transactions with the Members of the Board

The Company had no transactions with the members of the Board in 2003 and 2002.

Dividends payable

As of 31 December 2003 and 2002 dividends payable amounting to Litas 51 thousand and Litas 2,063 thousand respectively represents outstanding dividends declared for previous years.

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21. Income tax

Movements in deferred income tax accounts of the Company during 2003 and 2002 can be specified as follows:

	<u>2003</u>	<u>2002</u>
Income tax expenses		
Net result before income tax according to IFRS	29,049	47,275
Changes in temporary differences	a) 17,288	(28,812)
Permanent differences	3,138	(1,624)
Temporary differences recorded in equity	(4,079)	-
Loss carry forward realised	b) (45,396)	(12,182)
Taxable result for the period	-	4,657
Current income tax expense	-	699
Reimbursed income tax on dividends for 2000 and 1999	-	(249)
Reversal of prior year income tax	(450)	-
Change in deferred income tax	5,668	3,053
Income tax expenses	<u>5,218</u>	<u>3,503</u>
Temporary differences resulting in deferred income tax asset		
Property, plant and equipment	2,538	2,931
Vacation pay accrual	75	75
Allowances and impairment	817	931
Low value inventories write-off	338	325
Allowance for inventory	726	-
Allowance for loans	612	-
Loss carry forward for 2001	3,260	-
Deferred income tax asset before valuation allowance	8,366	4,262
Less: valuation allowance	d) (612)	-
Deferred income tax asset, net	<u>7,754</u>	<u>4,262</u>
Temporary differences resulting in Deferred income tax liabilities		
Property, plant and equipment	(16,475)	(7,315)
Total deferred income tax liabilities	(16,475)	(7,315)
Deferred income tax, net	e) <u>(8,721)</u>	<u>(3,053)</u>

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21. Deferred Income tax (cont'd)

- a) Temporary differences for 2003 include an additional amount of Litas 72,737 thousand, representing investments of the Company related to the years 2000 and 2001 written-off for tax purposes. The correction was showed as a temporary difference in 2003.
- b) Tax loss carry forward occurred due to the corrections made in respect of the Company's investments related to the years 2000 and 2001 (see explanation in a) above).
- c) Deferred income tax assets and liabilities were estimated at 15% rate in 2003 and 2002.
- d) As of 31 December 2003 and 2002 allowances were made for some deferred tax assets due to the uncertainty in respect of their realisation in the future.
- e) Deferred income tax asset and deferred income tax liability are netted off in the balance sheet of the Company as of 31 December 2003 and 2002. This is because deferred income tax liability will be realised simultaneously with the deferred income tax asset and they are both related to the same tax authority.

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate to pre tax income as follows:

	<u>2003</u>	<u>2002</u>
Taxable income	(4,357)	(7,091)
Permanent differences	(471)	244
Changes in valuation allowance	(612)	2,706
Temporary differences recorded in equity	612	-
Add back of prior year income tax expenses	450	-
Corrections of investment incentive	(10,909)	-
Corrections of tax loss carry forward	3,260	638
Tax loss carry forward used	<u>6,809</u>	<u>-</u>
Income tax (expenses) reported in the statement of income	<u>(5,218)</u>	<u>(3,503)</u>

22. Commitments and contingencies

Agreement with AB Mažeikių Nafta

The Company concluded an agreement with AB Mažeikių Nafta, which is valid till 31 December 2009. The agreement sets a conditional price of Litas 14.40 per ton for reloading services, which is an increase of the price per ton by Litas 4 compared to the former agreement. The fee will be adjusted annually by the lower of five percent or the inflation rate. If AB Mažeikių Nafta fails to provide the Company with the minimum volume of oil products stated in the agreement, an adjusted tariff rate is applicable.

The Company is also obliged to cooperate with AB Mažeikių Nafta, if AB Mažeikių Nafta decides to build a pipeline for oil products transporting to the Company's location. The Company is obliged to connect the pipeline, if constructed, to the Company's system of pipelines.

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22. Commitments and contingencies (cont'd)

Legal dispute

State enterprise Klaipėdos State Seaport Authority has filed a court case against the Company in the amount of Litas 732 thousand claiming for increased payments for land rent fee. According to the claim from State enterprise Klaipėdos State Seaport Authority, the allowed increase in vessels' draught at the embankments rented by the Company was executed, and therefore, the increased land rent fee was billed instead of the fee defined in the agreement between the parties dated 4 November 1998 with all its amendments. The Company has paid land rent fee for 2003 to State enterprise Klaipėdos State Seaport Authority according to the mentioned agreement. The Company's management believes that the case will be resolved in the favour of the Company. The outcome of the case was uncertain as of 31 December 2003 and as of the date of release of these financial statements, and therefore no accrual regarding this dispute was made in these financial statements.

Dispute regarding profit tax

The Company has an ongoing dispute with the tax authorities regarding the recognition of investments for the tax purposes in the previous years and accordingly for the amount of tax loss carry forward as of 31 December 2003. The amount argued by the Company of the tax loss carry forward amounts to Litas 55.2 million. According to preliminary calculations negative resolution of this dispute would result in current profit tax expenses for 2003 and profit tax payable as of 31 December 2003 in the amount of approximately Litas 1,000 thousand, and positive resolution – would result in zero profit tax.

Third party inventories held

As of 31 December 2003 the Company was storing 215,319 tons of oil products on behalf of its customers (122,872 tons as of 31 December 2002), which had a value of approximately Litas 110 million (Litas 99 million as of 31 December 2002). The Company has insurance coverage for these products.

23. Basic earnings per share

Basic earnings per share reflect the Company's net income, divided by the weighted average number of shares. Calculation of the basic earnings per share is presented below:

	<u>2003</u>	<u>2002</u>
Net income, attributable to the shareholders (in Litas thousand)	23,831	43,772
Number of shares outstanding (in thousand items)	a) <u>340,276</u>	<u>325,000</u>
Basic earnings per share (Litas)	<u>0.07</u>	<u>0.13</u>

- a) The number of shares outstanding for 2003 and 2002 is calculated as a weighted average number of shares outstanding for 2003 and 2002 respectively. The number of shares changed in 2003 due to the increase in share capital (Note 1). There were no changes in number of shares in 2002.

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24. Personnel expenses and number of employees

	<u>2003</u>	<u>2002</u>
Salaries and wages (including social insurance tax)	12,754	12,981
Premiums and bonuses	<u>127</u>	<u>-</u>
Total	<u>12,881</u>	<u>12,981</u>
Number of employees at the end of the year	314	327

25. Financial instruments

Financial risk management

The Company operates in an environment, giving rise to significant exposures to credit, foreign exchanges and liquidity risks.

Credit risks

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures. Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

Foreign exchange risk

The Company's policy is to match cash flows arising from highly probable future sales and purchases and other expenditures in each foreign currency.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents.

Fair value of financial instruments

Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The recorded amount is described below as the carrying amount, otherwise known as book value.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models as appropriate.

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25. Financial instruments (cont'd)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- a) The carrying amount of trade accounts receivable, loans granted, other financial assets and accounts payable approximates their fair value.
- b) The fair value of the long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

Management believes that the exposure to interest rate risk of financial assets and liabilities as of 31 December 2003 was minimal since their deviation from their respective fair values was not significant.

26. Reconciliation of financial statements prepared based on Lithuanian tax regulations to IFRS financial statements

The accompanying financial statements are presented in accordance to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. A description of the adjustments required to conform the Company's accounts prepared in accordance to tax rules to financial statements prepared in accordance with IFRS is set forth below:

	Net result	Equity
As per Company's tax books as of 31 December 2003	22,529	412,618
To account for allowance for inventory/ impairment for CIP	6,207	(6,207)
To write-off low value inventories	(84)	(2,169)
To account for prior year profit tax	(249)	249
To account for equity method	-	(34)
To expenses support for infrastructure maintenance, bonus for employees and other	(1,750)	1,750
To book additional depreciation	2,975	(7,148)
To book PPE impairment	(129)	(115)
To expense capitalized interest	-	(12,274)
To accrue vacation pay reserve	-	(501)
To account for allowance for loans granted	-	(4,079)
To account for deferred income tax	(5,668)	(3,053)
Transfer of income adjustments to equity	1,302	1,302
As per IFRS books as of 31 December 2003	23,831	380,339