

AB MAŽEIKIŲ NAFTA
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD
HAVING ENDED ON 30 SEPTEMBER 2007

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(The amounts in tables are provided in thous. USD and thous. LTL, unless indicated otherwise)

	Note	As of 30 September 2007		As of 31 December	
		USD	LTL	USD	LTL
ASSETS					
Long-term assets					
Long-term tangible assets	5	757 080	1 846 519	573 743	1 509 174
Intangible assets	6	7 330	17 877	7 476	19 665
Goodwill		4 782	11 664	4 745	12 481
Investments in associates		1 605	3 914	1 463	3 848
Deferred income tax assets		44 323	108 105	36 100	94 957
Long-term receivables and prepayments		84 585	206 302	28 678	75 435
		899 705	2 194 381	652 205	1 715 560
Short-term assets					
Inventories	8	426 105	1 039 270	348 418	916 479
Trade-related and other receivables	9	181 013	441 491	93 876	246 932
Prepaid income tax		3 343	8 153	53 630	141 068
Cash and cash equivalents	10	148 181	361 413	436 382	1 147 859
				932 306	2 452 338
Long-term assets ascribed to sales		1 290	3 146	292	768
		759 932	1 853 473	932 598	2 453 106
Total assets		1 659 637	4 047 854	1 584 803	4 168 666
EQUITY					
Capital and reserves appropriated to the Company's shareholders					
Share capital	11	181 886	708 821	181 886	708 821
Share premium account		77 507	295 548	77 507	295 548
Reserves		18 935	50 931	18 883	50 799
Accrued currency conversion adjustment		7 317	(365 687)	4 498	(229 580)
Retained earnings		522 224	1 280 777	465 492	1 142 651
		807 869	1 970 390	748 266	1 968 239
Minority interest		303	740	265	697
Total equity		808 172	1 971 130	748 531	1 968 936
LIABILITIES					
Long-term liabilities					
Borrowings	13	444 514	1 084 169	450 202	1 184 211
Provisions for liabilities		2 648	6 457	2 455	6 458
Other long-term liabilities		9 143	22 300	8 839	23 250
		456 305	1 112 926	461 496	1 213 919
Short-term liabilities					
Trade-related and other payables	12	382 334	932 515	359 881	946 631
Current income tax liabilities		106	259	1 605	4 222
Borrowings	13	6 202	15 126	6 894	18 134
Provisions for liabilities		6 518	15 898	6 396	16 824
		395 160	963 798	374 776	985 811
Total liabilities		851 465	2 076 724	836 272	2 199 730
Total equity and liabilities		1 659 637	4 047 854	1 584 803	4 168 666

The General Director and the Chief Financial Officer approved the condensed consolidated interim financial information on pages 3 to 27 on 13 November 2007.

Marek Mroczkowski
 General Director



Vita Petrošienė
 Chief Financial Officer



The notes on pages 8 to 27 constitute an integral part of the condensed consolidated interim financial information.

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Condensed Consolidated Interim Income (Loss) Statement

	Note	2007				2006			
		3 months having ended on 30 September		9 months having ended on 30 September		3 months having ended on 30		9 months having ended on 30	
		USD	LTL	USD	LTL	USD	LTL	USD	LTL
Sales	5	1 112 805	2 798 706	2 669 851	6 830 769	1 179 049	3 191 097	3 610 484	10 017 639
Cost of goods sold and	14	(1 063 211)	(2 673 975)	(2 529 082)	(6 472 496)	(1 129 275)	(3 056 383)	(3 255 256)	(9 027 171)
Gross profit		49 594	124 731	140 769	358 273	49 774	134 714	355 228	990 468
Other income (expenses)		(110)	(276)	175	460	108	292	1 481	4 103
Selling and marketing expenses	14	(29 604)	(74 454)	(89 197)	(229 242)	(46 005)	(124 513)	(148 641)	(413 419)
Administrative expenses	14	50 462	126 911	6 634	12 705	(6 599)	(17 860)	(54 947)	(152 953)
Profit from operations		70 342	176 912	58 381	142 196	(2 722)	(7 367)	153 121	428 199
Finance income		5 331	13 406	14 206	36 461	8 031	21 735	21 021	58 144
Finance expenses		(7 881)	(19 822)	(23 349)	(60 002)	(4 883)	(13 215)	(16 908)	(47 095)
Share of profit of associates		7	17	28	71	21	56	54	149
Profit before income tax		67 799	170 513	49 266	118 726	447	1 209	157 288	439 397
Profit Tax	15	7 313	18 393	7 535	19 575	581	1 573	(23 351)	(65 318)
Profit for the period		75 112	188 906	56 801	138 301	1 028	2 782	133 937	374 079
Profit for appropriation									
Shareholders of the Company		75 104	188 887	56 784	138 258	1 151	3 115	133 928	374 034
Minority interest		8	19	17	43	(123)	(333)	9	45
		75 112	188 906	56 801	138 301	1 028	2 782	133 937	374 079
Earnings per share for profit attributable to the equity holders of the Company for the period (expressed in USD and LTL per share)									
- basic earnings	17	0.106	0.266	0.080	0.195	0,002	0,004	0,189	0,529

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Condensed Consolidated Interim Statement of Changes in Equity (thous. USD)

	Capital and reserves appropriated to the Company's shareholders								
	Share capital	Share premium account	Statutory revaluation reserve	Legal reserve	Cumulative translation adjustments	Non-appropriated profit	Total	Minority interest	Total equity
Balance as of 1 January 2006	181 366	72 752	109	13 494	1 457	404 069	673 247	836	674 083
Currency conversion differences recognized directly in equity	-	-	-	-	2 209	-	2 209	68	2 277
Profit for the period	-	-	-	-	-	133 928	133 928	9	133 937
Total recognized income for the period	-	-	-	-	2 209	133 928	136 137	77	136 214
Transfer to legal reserve	-	-	-	5 280	-	(5 280)	-	-	-
Balance as of 30 September 2006	181 366	72 752	109	18 774	3 666	532 717	809 384	913	810 297
Balance as of 1 October 2006	181 366	72 752	109	18 774	3 666	532 717	809 384	913	810 297
Currency conversion differences recognized directly in equity	-	-	-	-	1 539	-	1 539	64	1 603
Profit for the period	-	-	-	-	-	(67 932)	(67 932)	1 856	(66 076)
Total recognized income for the period	-	-	-	-	1 539	(67 932)	(66 393)	1 920	(64 473)
Issue of share capital in exchange for minority interest in subsidiary	520	4 755	-	-	-	-	5 275	(2 568)	2 707
Transfer of cumulative translation adjustment on merged subsidiary	-	-	-	-	(707)	707	-	-	-
Balance as of 31 December 2006	181 886	77 507	109	18 774	4 498	465 492	748 266	265	748 531
Balance as of 1 January 2007	181 886	77 507	109	18 774	4 498	465 492	748 266	265	748 531
Currency translation differences recognized as direct equity	-	-	-	-	2 819	-	2 819	21	2 840
Profit for the period	-	-	-	-	-	56 784	56 784	17	56 801
Total recognized income for the period	-	-	-	-	2 819	56 784	59 603	38	59 641
Transfer to legal reserve	-	-	-	52	-	(52)	-	-	-
Balance as of 30 September 2007	181 886	77 507	109	18 826	7 317	522 224	807 869	303	808 172

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*R.D.*⁵

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Condensed Consolidated Interim Statement of Changes in Equity (thous. LTL)

	Capital and reserves appropriated to the Company's shareholders							Minority interest	Total equity
	Share capital	Share premium account	Statutory revaluation reserve	Legal reserve	Cumulative translation adjustments	Non-appropriated profit	Total		
Balance as of 1 January 2006	707 454	283 040	437	36 089	(30 716)	963 006	1 959 310	2 433	1 961 743
Currency conversion differences recognized directly in equity	-	-	-	-	(137 080)	-	(137 080)	(1)	(137 081)
Profit for the period	-	-	-	-	-	374 034	374 034	45	374 079
Total recognized income for the period	-	-	-	-	(137 080)	374 034	236 954	44	236 998
Transfer to legal reserve	-	-	-	14 273	-	(14 273)	-	-	-
Balance as of 30 September 2006	707 454	283 040	437	50 362	(167 796)	1 322 767	2 196 264	2 477	2 198 741
Balance as of 1 October 2006	707 454	283 040	437	50 362	(167 796)	1 322 767	2 196 264	2 477	2 198 741
Currency conversion differences recognized as direct equity	-	-	-	-	(59 924)	-	(59 924)	3	(59 921)
Profit (loss) for the period	-	-	-	-	-	(181 976)	(181 976)	4 972	(177 004)
Total recognized income for the period	-	-	-	-	(59 924)	(181 976)	(241 900)	4 975	(236 925)
Issue of share capital in exchange for minority interest in subsidiary	1 367	12 508	-	-	-	-	13 875	(6 755)	7 120
Transfer of cumulative translation adjustment on merged subsidiary	-	-	-	-	(1 860)	1 860	-	-	-
Balance as of 31 December 2006	708 821	295 548	437	50 362	(229 580)	1 142 651	1 968 239	697	1 968 936
Balance as of 1 January 2007	708 821	295 548	437	50 362	(229 580)	1 142 651	1 968 239	697	1 968 936
Currency conversion differences recognized as direct equity	-	-	-	-	(136 107)	-	(136 107)	-	(136 107)
Profit for the period	-	-	-	-	-	138 258	138 258	43	138 301
Total recognized income for the period	-	-	-	-	(136 107)	138 258	2 151	43	2 194
Transfer to legal reserve	-	-	-	132	-	(132)	-	-	-
Balance as of 30 September 2007	708 821	295 548	437	50 494	(365 687)	1 280 777	1 970 390	740	1 971 130

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Condensed Consolidated Interim Cash Flow Statement

	Note	Nine month period having ended on 30 September			
		2007		2006	
		USD	LTL	USD	LTL
Operating activities					
Cash generated from operations	17	3 378	(55 814)	110 477	226 124
Interest paid		(23 697)	(60 263)	(23 429)	(65 195)
Income tax paid		(1 585)	(5 018)	(34 256)	(96 085)
Net cash generated from operating activities		(21 904)	(121 095)	52 792	64 844
Investing activities					
Purchases of long-term tangible assets		(264 401)	(668 502)	(71 913)	(196 147)
Proceeds from sale of long-term tangible assets		160	408	2 058	5 723
Proceeds from sale of long-term assets classified as held for sale		-	-	1 270	3 606
Purchases of intangible assets		(1 106)	(1 926)	(809)	(1 455)
Proceeds from sale of available-for-sale financial assets		-	-	-	-
Interest received		7 288	18 787	20 178	55 772
Net cash flows from investing activities		(258 059)	(651 233)	(49 216)	(132 501)
Financing activities					
Repayment of borrowings		(164 647)	(416 956)	(7 615)	(21 167)
Credits raised		157 888	400 297	1 240	3 406
Leasing (financial leasing) payments		(30)	(80)	(239)	(666)
Contribution of minority shareholders to the share capital of subsidiary		38	43	-	-
Net cash flows from financial activities		(6 751)	(16 696)	(6 614)	(18 427)
Net increase (decrease) in cash, cash equivalents and bank overdrafts					
		(286 714)	(789 024)	(3 038)	(86 084)
Cash, cash equivalents and bank overdrafts at the beginning of the period	10	436 382	1 147 859	637 813	1 856 164
Exchange gains (losses) on cash and bank overdrafts		(1 487)	2 578	2 031	(42 107)
Cash, cash equivalents and bank overdrafts at the end of the period	10	148 181	361 413	636 806	1 727 973

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Notes on 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 reorganized into a public company following a partial privatization 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, generator of electrical energy.

The Company is a limited liability company incorporated and domiciled in Lithuania. Its registered office is located at the address: Juodeikiai, LT-89467 Mažeikiai distr., Republic of Lithuania

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

On 30 September 2007 and 31 December 2006 Polski Koncern Naftowy Orlen S.A (hereinafter „PKN ORLEN“) holding 89,91 % 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. At the end of the established share squeeze-out period, there were some shareholders who had not sold the Company’s shares owned by them. On the last day of the above mentioned period, the Offerors were conferred the right and applied the court with a request to obligate account managers to make records in the security accounts about the transfer of title to the shares over to PKN ORLEN. The 19 September 2007 ruling of Mažeikiai Regional Circuit Court was to satisfy the claim of PKN ORLEN and it obligated the securities account administrators within 7 working days following the day the ruling of the court was brought into effect to make entries in the securities account about the transfer of the ownership of all the 991 796 ordinary registered shares of the Company to the shareholder PKN ORLEN. The day of statement signing the ruling of the court has been brought into effect.

Consolidated Group

The consolidated group (hereinafter “the Group”) consists of the Company and its seven subsidiaries (as of December 2006). The Group has one associate which is accounted according to equity method applied. Below listed are the subsidiaries and the associate included into the Group’s condensed consolidated interim financial information:

Subsidiary/associate	Established in	Year of establishment/acquisition	Share of the Group held, %		Nature of activity
			30 September 2007	31 December 2006	
<i>Subsidiaries</i>					
UAB Uotas	Lithuania	2002	100	100	In liquidation process
AB Ventus-Nafta	Lithuania	2002	98,59	98,59	Retail trade in petroleum products
UAB Mažeikių Nafta Trading House	Lithuania	2003	100	100	Company’s trading agent in Lithuania
SIA Mažeikių Nafta Tirdniecibas Nams	Latvia	2003	100	100	Wholesale trading in petroleum products in Latvia
OU Mažeikių Nafta Trading House	Estonia	2003	100	100	Wholesale trading in petroleum products in Estonia
Sp.z.o.o. Mažeikių Nafta Trading House	Poland	2003	100	100	Wholesale trading in petroleum products in Poland
UAB Juodeikių Nafta	Lithuania	1995	100	100	In liquidation process

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1. General information (continued)

Associates

UAB Naftelf	Lithuania	1996	34	34	Trading in aviation fuel and construction of storage facilities thereof
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2. Significant issues having effect on the Group

(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 5 January 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 12 October 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 assets insured and hedged against the risk of operation suspension on the international insurance market via the insurance broker AON Limited in London. The assets are insured for their replacement cost. As of the date the present Consolidated Financial Information the causes of the fire have already been established, the partial insurance compensation of 70 000 thous. USD or 173 683 thous. LTL has been received, whereas the final amounts of damage compensation have not yet been agreed upon.

(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 interim financial information.

(4) Turnaround

To modernize the units and ensure their sound and safe operation in the future on 22 September 2007 the Company commenced the turnaround. The turnaround is scheduled for a period of 1.5 month. The estimated costs of investments and repair works during the turnaround may amount to 80 000 thous. USD or 195 120 thous. LTL.

3. Summary of significant accounting policies

3.1 Basis of preparation

The current condensed consolidated interim financial information of the Group has been prepared for the preceding nine-month-period having ended on 30 September 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 IFRSs as adopted by the European Union.

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3.1 Basis of preparation (continued)

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective at the time of preparation of 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.

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.

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

(c) Costs

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

4. 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 supply by pipelines from Russia to the Company was suspended and the pipelines connecting Biržai Pipeline and the Refinery are not used by the Group. As of 30 September 2007 the balance value of unused long-term tangible assets was 2 139 thous. USD or 5 217 thous. LTL (as of 31 December 2006 it was 2 212 thous. USD or 5 818 thous. LTL). Total long-term tangible assets in the pipeline operating segment amounted to 50 041 thous. USD or 122 050 thous. LTL (31 December 2006 – 51 670 thous. USD or 135 913 thous. LTL).

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4. Critical accounting estimates and assumptions (continued)

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 long-term tangible assets in interim financial information of nine month period having ended on 30 September 2007 and in the consolidated financial statements for the year having ended on 31 December 2006. 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 recognizes pipeline fill representing crude oil which is in the pipe connecting the Refinery and Būtingė import-export oil terminal as long-term tangible assets. 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 long-term tangible assets 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 30 September 2007 amounted to 8 532 thous. USD or 20 810 thous. LTL (as of 31 December 2006 – 8 532 thous. USD or 22 443 thous. LTL).

(c) Accounting for carbon dioxide emission allowances

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 recognized 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 67 thous. USD or 163 thous. LTL as of 30 September 2007 (in 2006: 31 720 thous. USD or 83 436 thous. LTL). During the nine month period having ended on 30 September 2007 the Group's income from the sale of emission allowances amounted to 172 thous. USD or 441 thous. LTL (income of the year having ended on 31 December 2006 amounted to 13 415 thous. USD or 35 937 thous. 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 utilized for investment in long-term tangible assets was taxed at a corporate profit tax rate of 0 percent. The Group acknowledged the capital investment relief for the period of 2003 to 2006, which was 9 077 thous. USD or 23 277 thous. LTL, and accordingly reduced its income tax expenses. During the reporting period having ended on 30 September 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.

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4. Critical accounting estimates and assumptions (continued)

(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.

5. Segment information

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 operates the network of about 25 filling stations in Lithuania; 9 filling stations are managed by the customer of the Group based on the franchise contract.

The Group allocates costs between segments directly.

The business segment results for the three month period having ended on 30 September 2007 are as follows:

USD	Oil	Oil	Pipeline	Filling	Other	Groups
	Refinery	Terminal	operator	stations		
Total gross segment sales	1 102 313	1 577	1 271	18 084	-	1 123 245
Inter-segment sales	(10 434)	-	-	(6)	-	(10 440)
Sales	1 091 879	1 577	1 271	18 078	-	1 112 805
Operating profit / segment result	75 879	(4 596)	(1 418)	492	(15)	70 342
Finance income						5 331
Finance expenses						(7 881)
Share of profit of associates	7	-	-	-	-	7
Profit before income tax						67 799
Income tax expense (Note 15)						7 313
Profit for the period						75 112
LTL						
	Oil	Oil	Pipeline	Filling	Other	Groups
	Refinery	Terminal	operator	stations		
Total gross segment sales	2 772 319	3 966	3 197	45 481	-	2 824 963
Inter-segment sales	(26 242)	-	-	(15)	-	(26 257)
Sales	2 746 077	3 966	3 197	45 466	-	2 798 706
Operating profit / segment result	190 839	(11 559)	(3 566)	1 237	(39)	176 912
Finance income						13 406
Finance expenses						(19 822)
Share of profit of associates	17	-	-	-	-	17
Profit before income tax						170 513
Income tax expense (Note 15)						18 393
Profit for the period						188 906

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5. Segment information (continued)

The business segment results for the nine month period having ended on 30 September 2007 are as follows:

USD	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	2 639 131	3 829	4 101	50 159	-	2 697 220
Inter-segment sales	(27 349)	-	-	(20)	-	(27 369)
Sales	2 611 782	3 829	4 101	50 139	-	2 669 851
Operating profit / segment result	73 750	(13 765)	(2 520)	1 125	(209)	58 381
Finance income						14 206
Finance expenses						(23 349)
Share of profit of associates	28	-	-	-	-	28
Profit before income tax						49 266
Income tax expense (Note 15)						7 535
Profit for the period						56 801

LTL

	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	6 751 772	9 797	10 560	128 791	-	6 900 920
Inter-segment sales	(70 100)	-	-	(51)	-	(70 151)
Sales	6 681 672	9 797	10 560	128 740	-	6 830 769
Operating profit / segment result	181 654	(35 371)	(6 416)	2 875	(546)	142 196
Finance income						36 461
Finance expenses						(60 002)
Share of profit of associates	71	-	-	-	-	71
Profit before income tax						118 726
Income tax expense (Note 15)						19 575
Profit for the period						138 301

The business segment results for the three month period having ended on 30 September 2006 are as follows:

USD

	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	1 166 719	3 385	2 919	13 991	378	1 187 392
Inter-segment sales	(7 965)	-	-	-	(378)	(8 343)
Sales	1 158 754	3 385	2 919	13 991	-	1 179 049
Operating profit / segment result	(749)	(2 712)	601	31	107	(2 722)
Finance income						8 031
Finance expenses						(4 883)
Share of profit of associates	21	-	-	-	-	21
Profit before income tax						447
Income tax expense (Note 15)						581
Profit for the period						1 028

*R. P.*¹³

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5. Segment information (continued)

LTL

	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	3 157 725	9 162	7 900	37 867	1 023	3 213 677
Inter-segment sales	(21 557)	-	-	-	(1 023)	(22 580)
Sales	3 136 168	9 162	7 900	37 867	-	3 191 097
Operating profit / segment result	(2 028)	(7 340)	1 627	84	290	(7 367)
Finance income						21 735
Finance expenses						(13 215)
Share of profit of associates	56	-	-	-	-	56
Profit before income tax						1 209
Income tax expense (Note 15)						1 573
Profit for the period						2 782

The business segment results for the nine month period having ended on 30 September 2006 are as follows:

USD

	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	3 561 574	16 486	17 931	34 377	953	3 631 321
Inter-segment sales	(19 887)	-	-	-	(950)	(20 837)
Sales	3 541 687	16 486	17 931	34 377	3	3 610 484
Operating profit / segment result	153 754	(11 754)	10 987	75	59	153 121
Finance income						21 021
Finance expenses						(16 908)
Share of profit of associates	54	-	-	-	-	54
Profit before income tax						157 288
Income tax expense (Note 15)						(23 351)
Profit for the period						133 937

LTL

	Oil Refinery	Oil Terminal	Pipeline operator	Filling stations	Other	Groups
Total gross segment sales	9 881 838	45 787	49 954	94 990	2 635	10 075 204
Inter-segment sales	(54 939)	-	-	-	(2 626)	(57 565)
Sales	9 826 899	45 787	49 954	94 990	9	10 017 639
Operating profit / segment result	430 102	(32 941)	30 703	183	152	428 199
Finance income						58 144
Finance expenses						(47 095)
Share of profit of associates	149	-	-	-	-	149
Profit before income tax						439 397
Income tax expense (Note 15)						(65 318)
Profit for the period						374 079

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6. Long-term tangible assets

USD	Land and buildings	Machinery and equipment	Other long-term tangible assets	Construction in progress	Total
1 January 2006					
Acquisition cost	83 530	676 775	75 341	48 024	883 670
Accumulated depreciation and impairment	(28 572)	(311 086)	(34 996)	-	(374 654)
Residual value	54 958	365 689	40 345	48 024	509 016
Nine months ended on 30 September 2006					
Residual value as of 1 January 2006	54 958	365 689	40 345	48 024	509 016
Currency translation differences	932	698	154	64	1 848
Acquisition of assets	2 496	3 921	5 483	50 261	62 161
Cessions and disused assets	(854)	(445)	(69)	(4)	(1 372)
Writing-off	(4)	(3)	(37)	(56)	(100)
Re-classification	800	7 878	17	(8 695)	-
Transfers	-	-	-	(103)	(103)
Depreciation	(1 887)	(31 232)	(4 375)	-	(37 494)
Residual value as of 30 September 2006	56 441	346 506	41 518	89 491	533 956
Three months ended on 31 December 2006					
Residual value as of 1 October 2006	56 441	346 506	41 518	89 491	533 956
Currency translation differences	468	283	75	26	852
Acquisition of assets	1 256	16 457	1 006	28 908	47 627
Cessions and disused assets	-	-	(32)	4	(28)
Writing-off	(31)	(27)	(17)	(45)	(120)
Re-classification	722	3 959	82	(4 763)	-
Re-classified from/to the other assets	-	16	-	(27)	(11)
Reversal of impairment	52	30	-	-	82
Depreciation	(643)	(6 947)	(1 025)	-	(8 615)
Residual value as of 31 December 2006	58 265	360 277	41 607	113 594	573 743
31 December 2006					
Acquisition cost	89 384	706 831	80 511	113 594	990 320
Accumulated depreciation and impairment	(31 119)	(346 554)	(38 904)	-	(416 577)
Residual value	58 265	360 277	41 607	113 594	573 743
Nine months ended on 30 September 2007					
Residual value as of 1 January 2007	58 265	360 277	41 607	113 594	573 743
Currency translation differences	1 032	423	159	11	1 625
Acquisition of assets	179	24 131	7 800	179 349	211 459
Cessions and disused assets	(20)	-	(6)	-	(26)
Writing-off	(1 333)	(185)	(471)	(533)	(2 522)
Re-classification	389	12 507	173	(13 069)	-
Transfers	284	-	-	-	284
Reversal of impairment	-	-	1	-	1
Depreciation	(1 994)	(22 072)	(3 418)	-	(27 484)
Residual value as of 30 September 2007	56 802	375 081	45 845	279 352	757 080
30 September 2007					
Acquisition cost	95 798	748 498	87 442	279 352	1 211 090
Accumulated depreciation and impairment	(38 996)	(373 417)	(41 597)	-	(454 010)
Residual value	56 802	375 081	45 845	279 352	757 080

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6. Long-term tangible assets (continued)

LTL	Land and buildings	Machinery and equipment	Other long- term tangible assets	Construction in progress	Total
1 January 2006					
Acquisition 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)
Residual value	159 939	1 064 226	117 412	139 759	1 481 336
Nine months ended on 30 September 2006					
Residual value as of 1 January 2006	159 939	1 064 226	117 412	139 759	1 481 336
Currency translation differences	(8 277)	(68 185)	(7 518)	(11 610)	(95 590)
Acquisition of assets	6 858	10 732	15 180	139 163	171 933
Cessions and disused assets	(2 365)	(1 225)	(191)	(11)	(3 792)
Writing-off	(11)	(9)	(105)	(156)	(281)
Re-classification	2 247	21 719	49	(24 015)	-
Transfers	-	-	-	(296)	(296)
Depreciation	(5 238)	(87 014)	(12 168)	-	(104 420)
Residual value as of 30 September 2006	153 153	940 244	112 659	242 834	1 448 890
Three months ended on 31 December 2006					
Residual value as of 1 October 2006	153 153	940 244	112 659	242 834	1 448 890
Currency translation differences	(3 525)	(28 701)	(3 250)	(8 534)	(44 010)
Acquisition of assets	3 365	44 086	2 693	77 439	127 583
Cessions and disused assets	-	-	(86)	11	(75)
Writing-off	(83)	(72)	(46)	(121)	(322)
Re-classification	1 934	10 600	220	(12 754)	-
Re-classified from/to the other assets	-	46	-	(77)	(31)
Reversal of impairment	139	80	-	-	219
Depreciation	(1 722)	(18 610)	(2 748)	-	(23 080)
Net book amount as of 31 December 2006	153 261	947 673	109 442	298 798	1 509 174
31 December 2006					
Acquisition 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)
Residual value	153 261	947 673	109 442	298 798	1 509 174
Nine months ended on 30 September 2007					
Residual value as of 1 January 2007	153 261	947 673	109 442	298 798	1 509 174
Currency translation differences	(8 410)	(69 928)	(8 387)	(44 443)	(131 168)
Acquisition of assets	451	61 818	20 339	462 088	544 696
Cessions and disused assets	(53)	-	(15)	-	(68)
Writing-off	(3 354)	(483)	(1 203)	(1 186)	(6 226)
Re-classification	1 021	32 440	456	(33 917)	-
Transfers	748	-	-	-	748
Reversal of impairment	-	-	3	-	3
Depreciation	(5 124)	(56 698)	(8 818)	-	(70 640)
Residual value as of 30 September 2007	138 540	914 822	111 817	681 340	1 846 519

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6. Long-term tangible assets (continued)

LTL

	Land and buildings	Machinery and equipment	Other long- term tangible assets	Construction in progress	Total
30 September 2007					
Acquisition cost	233 652	1 825 586	213 271	681 340	2 953 849
Accumulated depreciation and impairment	(95 112)	(910 764)	(101 454)		(1 107 330)
Residual value	138 540	914 822	111 817	681 340	1 846 519

7. Intangible assets

USD

	Software	Patents, licences	Software being created and other long-term intangible assets	Total
1 January 2006				
Cost price	8 328	6 073	-	14 401
Accumulated amortization	(5 269)	(5 216)	-	(10 485)
Residual value	3 059	857	-	3 916
Nine months ended on 30 September 2006				
Residual value as of 1 January 2006	3 059	857	-	3 916
Currency translation differences	28	-	-	28
Acquisition of assets	174	-	-	174
Amortization	(866)	(299)	-	(1 165)
Residual value as of 30 September 2006	2 395	558	-	2 953
Three months ended on 31 December 2006				
Residual value as of 1 October 2006	2 395	558	-	2 953
Currency translation differences	-	-	2	2
Acquisition of assets	53	-	4 858	4 911
Amortization	(291)	(99)	-	(390)
Residual value as of 31 December 2006	2 157	459	4 860	7 476
31 December 2006				
Acquisition cost	8 389	6 051	4 860	19 300
Accumulated amortization	(6 232)	(5 592)	-	(11 824)
Residual value	2 157	459	4 860	7 476
Nine months ended on 30 September 2007				
Residual value as of 1 January 2007	2 157	459	4 860	7 476
Currency translation differences	12	-	3	15
Acquisition of assets	388	-	681	1 069
Amortization	(931)	(299)	-	(1 230)
Residual value as of 30 September 2007	1 626	160	5 544	7 330
30 September 2007				
Acquisition cost	8 840	6 050	5 544	20 434
Accumulated amortization	(7 214)	(5 890)	-	(13 104)
Residual value	1 626	160	5 544	7 330

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7. Intangible assets (continued)

LTL

	Software	Patents, licences	Software being created and other long-term intangible assets	Total
1 January 2006				
Cost price	24 236	17 674	-	41 910
Accumulated amortization	(15 334)	(15 180)	-	(30 514)
Residual value	8 902	2 494	-	11 396
Nine months ended on 30 September 2006				
Residual value as of 1 January 2006	8 902	2 494	-	11 396
Currency translation differences	(486)	(150)	-	(636)
Acquisition of assets	486	-	-	486
Amortization	(2 403)	(830)	-	(3 233)
Residual value as of 30 September 2006	6 499	1 514	-	8 013
Three months ended on 31 December 2006				
Residual value as of 1 October 2006	6 499	1 514	-	8 013
Currency translation differences	(186)	(42)	(230)	(458)
Acquisition of assets	141	-	13 014	13 155
Amortization	(780)	(265)	-	(1 045)
Residual value 31 December 2006	5 674	1 207	12 784	19 665
31 December 2006				
Acquisition cost	22 066	15 917	12 784	50 767
Accumulated amortization	(16 392)	(14 710)	-	(31 102)
Residual value	5 674	1 207	12 784	19 665
Nine months ended on 30 September 2007				
Residual value as of 1 January 2007	5 674	1 207	12 784	19 665
Currency translation differences	(328)	(47)	(995)	(1 370)
Acquisition of assets	1010	-	1 733	2 743
Amortization	(2 392)	(769)	-	(3 161)
Residual value as of 30 September 2007	3 964	391	13 522	17 877
30 September 2007				
Acquisition cost	21 559	14 757	13 522	49 838
Accumulated amortization	(17 595)	(14 366)	-	(31 961)
Residual value	3 964	391	13 522	17 877

In 2005 the Company was issued allowances by the Government to emit 6,622,887 tons of carbon dioxide in 2005 – 2007. In the balance sheet, the Group recognized allowances and the related government grant at a nominal value, i.e. zero. In October 2005, by means of 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. As of 30 September 2007 the actual emissions of the Group were 612 540 tons (in December 2006 - 1 943 226 tons). In June 2007 the Group sold the allowances to emit 1 600 000 ton carbon dioxide (in 2006 - 1 570 000 tons). The market value of remaining unused allowances amounted to 67 thous. USD or 163 thous. LTL as of 30 September 2007 (December 2006 - 31 720 thous. USD or 83 436 thous. LTL)

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8. Inventories

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Raw materials and auxiliary materials (at cost)	71 749	174 996	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)	196 109	478 310	53 031	139 492
Finished goods and goods for resale (at net realisable value)	73 073	178 224	115 077	302 699
Semi-finished goods (at cost)	13 927	33 967	4 588	12 068
Semi-finished goods (at net realisable value)	17 211	41 978	11 946	31 423
Spare parts and other (at cost)	54 036	131 795	32 269	84 881
	426 105	1 039 270	348 418	916 479

Inventory amounting to 110 000 thous. USD or 268,290 thous. LTL (December 2006: 112 500 thous. USD or 295 920 thous. LTL) is provided as collateral for letters of credit and guarantees issued by the banks on behalf of the Group.

9. Trade-related and other receivables

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Trade receivables	167 472	408 464	100 450	264 224
Less provision for impairment of receivables	(15 773)	(38 470)	(17 742)	(46 669)
Trade accounts receivable, net	151 699	369 994	82 708	217 555
Receivables from related parties (Note 20)	1 507	3 676	905	2 381
Prepaid and recoverable taxes, other than corporate income tax	3 463	8 446	3 613	9 504
Accrued income and deferred charges	1 417	3 456	4 351	11 445
Accrued income and deferred charges from related parties (Note 20)	12 119	29 558	-	-
Other receivables	10 808	26 361	2 299	6 047
	181 013	441 491	93 876	246 932

On behalf of the Group no letters of credit were issued by the banks within nine months of 2007. (In December 2006 the letters of credit issued by the banks were secured by the receivables of up to 61 770 thous. USD or 162 497 thous. LTL).

10. Cash and cash equivalents

	30 September 2007		30 December 2006	
	USD	LTL	USD	LTL
Cash at bank and on hand	148 181	361 413	288 984	760 143
Bonds issued by financial institutions	-	-	82 300	216 482
Short-term bank deposits	-	-	65 098	171 234
	148 181	361 413	436 382	1 147 859

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.

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10. 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:

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Cash held at banks to secure L/Cs issued by banks	31 731	77 392	206 892	544 209
Cash held at banks to secure guaranties issued by banks	13 688	33 385	6 563	17 263
Bonds held at banks to secure issued letters of credit	-	-	82 300	216 482
	45 419	110 777	295 755	777 954

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

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Cash and cash equivalents	148 181	361 413	436 382	1 147 859
Bank account credit (Note 17)	-	-	(701)	(1 844)
	148 181	361 413	435 681	1 146 015

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.

11. Share capital

As of 30 September 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 thous. USD or 13 875 thous. LTL (3.86 USD or 10.15 LTL per share).

12. Trade-related and other payables

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Trade payables	72 922	177 857	293 128	771 042
Amounts due to related parties (Note 20)	201 492	491 439	146	384
Advances received	3 925	9 573	1 458	3 836
Accruals and deferred income	32 008	78 068	15 087	39 685
Taxes other than corporate income tax	66 255	161 596	47 146	124 013
Social security contributions	1 982	4 835	1 970	5 183
Other current liabilities	3 750	9 147	946	2 488
	382 334	932 515	359 881	946 631

13. Borrowings

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Non-current				
Bank borrowings	154 494	376 811	160 112	421 158
Loans from related parties (Note 20)	290 020	707 358	290 090	763 053
	444 514	1 084 169	450 202	1 184 211

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13. Borrowings (continued)

	30 September 2007		31 December 2007	
	USD	LTL	USD	LTL
Current				
Bank account credit		-	701	1 844
Bank borrowings	5 886	14 355	5 881	15 469
Loans from related parties (Note 20)	316	771	282	742
Finance lease liabilities	-	-	30	79
	6 202	15 126	6894	18 134
Total borrowings	450 716	1 099 295	457 096	1 202 345

Borrowings amounting to 160 380 thous. USD or 391 166 thous. LTL (December 2006: 166 597 thous. USD or 438 216 thous. LTL) are bearing floating interest rate with repricing period between 1 and 6 months.

Borrowings amounting to 290 336 thous. USD or 708 129 thous. LTL (December 2006: 290 469 thous. USD or 764 050 thous. LTL) are bearing fixed interest rate.

14. Expenses by nature

	2007				2006			
	3 months ended		9 months ended		3 months ended		9 months ended	
	30 September		30 September		30 September		30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Depreciation and amortization (Notes 5 and 6)	9 556	24 033	28 714	73 801	9 583	25 936	38 659	107 653
Work payment	17 827	44 835	50 424	129 522	13 323	36 059	46 373	128 552
Social insurance	5 393	13 563	15 359	39 454	4 216	11 411	14 439	40 020
Crude oil, industrial raw materials and other inventory expenses	961 675	2 418 613	2 393 614	6 125 285	1 017 410	2 753 620	3 082 180	8 546 387
Additives and catalysts	1 776	4 467	4 496	11 517	1 222	3 307	4 469	12 467
Changes in inventories of finished goods and semi-products	50 078	125 946	7 316	18 867	60 452	163 613	38 973	109 601
Transit and freight	3 996	10 050	17 207	44 541	18 161	49 153	60 200	167 887
Railway services	12 282	30 889	31 982	81 996	12 071	32 670	38 747	107 568
Terminal and laboratory services	6 843	17 210	18 970	48 539	6 114	16 548	20 497	56 959
Electricity	8 253	20 756	18 897	48 337	9 716	26 296	28 200	77 887
Agency services	64	161	2 080	5 433	2 438	6 598	11 496	32 087
Office supplies and consumables	8 768	22 052	15 370	39 190	3 775	10 217	11 708	32 504
Taxes other than corporate income tax	1 693	4 258	4 978	12 789	1 916	5 186	5 698	15 805
Insurance	3 401	8 554	8 105	20 765	2 840	7 686	5 510	15 245
Lease	2 853	7 175	7 221	18 506	2 009	5 437	5 460	15 133
Professional services	2 555	6 426	8 712	22 487	2 514	6 804	7 681	21 311
Change in impairment of receivables	(2 214)	(5 568)	(2 246)	(5 650)	5 653	15 300	11 365	31 019
Reversal of provision for environmental obligations	32	80	121	310	(9 095)	(24 616)	(9 095)	(24 616)
Insurance event costs	(67 570)	(169 939)	(58 458)	(145 979)	-	-	-	-
Other costs	15 092	37 957	38 783	99 322	17 561	47 531	36 284	100 074
	1 042 353	2 621 518	2 611 645	6 689 033	1 181 879	3 198 756	3 458 844	9 593 543

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14. Expenses by nature (continued)

Insurance event cost item includes the insurance event costs incurred within nine months of 2007 in the amount of 58 458 thous. USD or 145 979 thous. LTL which were not capitalized and the received insurance compensation in the amount of 70 151 thous. USD or 176 437 thous. LTL.

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Classified as:								
- cost of sales	1 063 211	2 673 975	2 529 082	6 472 496	1 129 275	3 056 383	3 255 256	9 027 171
- selling and marketing expenses	29 604	74 454	89 197	229 242	46 005	124 513	148 641	413 419
- administrative expenses	(50 462)	(126 911)	(6 634)	(12 705)	6 599	17 860	54 947	152 953
	1 042 353	2 621 518	2 611 645	6 689 033	1 181 879	3 198 756	3 458 844	9 593 543

15. Income tax expense

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Income Tax	307	772	671	1 714	2 600	7 036	31 086	86 546
Deferred income tax	(7 620)	(19 165)	(8 206)	(21 289)	(3 181)	(8 609)	(7 735)	(21 228)
	(7 313)	(18 393)	(7 535)	(19 575)	(581)	(1 573)	23 351	65 318

16. Earnings (loss) per share

Earnings per ordinary shares

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.

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Profit attributable to equity holders of the Company	75 104	188 888	56 784	138 258	1 151	3 115	133 928	374 034
Weighted average number of ordinary shares in issue (thousands)	708 821	708 821	708 821	708 821	707 454	707 454	707 454	707 454
Basic earnings per share (USD or LTL per share)	0.106	0.266	0.080	0.195	0,002	0,004	0,189	0,529

Diluted

The Company does not have potentially dilutive ordinary shares.

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17. Cash generated from operations

	Nine month period having ended on			
	30 September 2007		30 September 2006	
	USD	LTL	USD	LTL
Profit for the period	56 801	138 301	133 937	374 079
Adjustments for:				
- income tax (Note 15)	(6 648)	(14 577)	23 351	65 318
- depreciation (Note 6)	27 484	70 640	37 494	104 420
- amortization (Note 7)	1 230	3 161	1 165	3 233
- (profit) from sale of long-term assets classified as held for sale	-	-	(577)	(892)
- (profit) from sale of long-term tangible assets	-	-	(695)	(1 852)
- writing-off of long-term tangible assets (Note 6)	2 238	3 168	100	281
- reversal of impairment of long-term tangible assets (Note 6)	(1)	(3)	-	-
- interest income	(7 288)	(18 787)	(21 021)	(58 144)
- interest expense	23 349	59 449	23 291	64 634
- net change in provisions for liabilities	315	(927)	(20 290)	(56 675)
- share of (profit) of associates	(142)	(66)	(54)	(149)
- borrowings currency conversion (profit)/loss	379	(86 391)	41	(90 657)
Changes in working capital:				
- inventories	(77 687)	(122 791)	(36 183)	(47 606)
- Trade-related and other receivables	(38 230)	(68 705)	19 187	83 032
- Trade-related and other payables	21 606	(18 215)	(49 269)	(212 898)
Cash generated from operations	3 378	(55 814)	110 477	226 124

18. Contingencies

Tax relieves

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 utilized for investment in long-term tangible assets was taxed at a corporate profit tax rate of 0 percent. The Group acknowledged the capital investment relief for the period of 2003 – 2006, which was 9 077 thous. USD or 23 277 thous. LTL, and accordingly reduced its income tax expenses.

Law on Road Service and Development Program Financing effective in the period of 2001-2005, entitled the legal persons involved in LPG, sales business to pay the reduced 0.1 % tax. In 2001-2005, the Company utilized this tax relief for the amount of 39 120 thous. USD or 100 311 thous. LTL.

Presentation of IMTC/Maintenance Enterprises Inc.

On 4 September 2007 IMTC/Maintenance Enterprises Inc. (MEI) notified the Company that they have referred to London International Arbitration Court to initiate the arbitration procedure regarding refusing without any grounds, to applicant's consideration, to pay 5 million USD to MEI for part of services provided according to Contract No. 151040 d.d. 4 April 2007 between the Company and MEI. The Company has not yet received any notification regarding assignment of the arbitrator from applicant's side. Therefore, taking into consideration the rules of UNCITRAL arbitrage which should be followed to settle this dispute the arbitration board is not considered as formed and the Company in this situation is not obliged to do any actions related to legal proceedings. To the Company's knowledge currently there is not any legal proceeding in process. The Company does not have any verified information regarding the reasons of such a delay and further intentions of MEI regarding this claim. Based on the consultations of lawyers the management of the Company considers that this claim is not grounded therefore, no provisions have been formed for the amount of this claim in the interim financial information reports as of 30 September 2007.

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19. Commitments

Capital commitments

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

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Long-term tangible assets	201 266	490 888	65 202	171 507

20. Related-party transactions

As of 30 September 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

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
- UAB Naftelf	2 904	7 083	5 669	14 250	9 075	24 560	22 496	62 197
- Yukos Group*	-	-	-	-	8	22	22	61
- PKN Orlen S.A.**	6 574	16 033	26 086	66 665	-	-	-	-
- PKN Orlen Group**	22 508	54 898	65 090	165 048	-	-	-	-
	31 986	78 014	96 845	245 963	9 083	24 582	22 518	62 258

(a) Purchases of goods and services

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
- Petroval SA	-	-	-	-	115	312	115	312
- Yukos Finance B.V. (management fee)	-	-	-	-	718	1 943	1 711	4 719
- PKN Orlen S.A.(feedstock purchase)	701 579	1 711 150	1 709 833	4 312 402	-	-	-	-
- PKN Orlen S.A.(service purchase)	1 878	4 581	3 380	8 504	-	-	-	-
	703 457	1 715 731	1 713 213	4 320 906	833	2 255	1 826	5 031

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20. Related-party transactions (continued)

(c) Local tax expenses – the Government

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Local income tax	(7 733)	(19 448)	(8 282)	(21 468)	(790)	(2 138)	22 223	62 207
Local taxes other than corporate income tax	1 687	4 243	4 938	12 685	1 880	5 088	5 535	15 357
Social insurance	5 270	13 254	15 050	38 662	4 130	11 178	14 162	39 252
	(776)	(1 951)	11 706	29 879	5 220	14 128	41 920	116 816

(d) Local tax expenses – the Government of Poland

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Local income tax	103	259	249	637	-	-	-	-
Taxes other than corporate income tax			3	8	-	-	-	-
Social insurance	20	50	56	143	-	-	-	-
	123	309	308	788	-	-	-	-

(e) Management compensation

	2007				2006			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Salaries and other short-term payments	196	492	583	1 450	210	569	523	1 444

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

(f) Balances at the end of the period arising from sales/purchases of goods/services

Receivables from related parties (Note 9):

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
PKN Orlen S.A. (since 15 December 2006)	14	33	186	489
PKN Orlen Group ** (since 15 December 2006)	13 612	33 201	690	1 816
UAB Naftelf	-	-	29	76
	13 626	33 234	905	2 381

Amounts due to related parties (Note 12):

	30 September 2007		30 December 2006	
	USD	LTL	USD	LTL
Amounts due to related parties:				
PKN Orlen S.A. (since 15 December 2006)	189 286	461 668	66	174
PKN Orlen Group ** (since 15 December 2006)	12 174	29 693	9	23
UAB Naftelf	-	-	56	147
Government	32	78	15	40
	201 492	491 439	146	384
Grant of the Government related to purchase of long-term tangible assets	4 963	13 055	4 963	13 055
	206 455	504 494	5 109	13 439

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20. Related-party transactions (continued)

(g) Balances at the end of the period arising from taxes paid/payable – the Government

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Prepaid local taxes:				
Prepaid local income tax	3 343	8 153	53 630	141 068
Prepaid local taxes, other than corporate income tax	3 450	8 415	2 435	6 405
	6 793	16 567	56 065	147 473

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Local taxes payable:				
Local income tax payable	-	-	1 573	4 138
Payable local taxes other than corporate income tax	36 915	90 036	25 695	67 588
Payable social insurance payments	1 923	4 690	1 887	4 964
	38 838	94 726	29 155	76 690

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Deferred income tax:				
Deferred income tax assets	44 136	107 648	35 972	94 621

(h) Balances at the end of the period arising from taxes paid/payable – the Government of Poland (since 15 December 2006).

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Prepaid taxes:				
Prepaid taxes, other than corporate income tax	13	32	65	171

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Deferred income tax:				
Deferred income tax assets	58	141	66	174

(i) Balances at the end of the period arising from taxes paid/payable – the Government of Poland

	30 September 2007		31 December 2006	
	USD	LTL	USD	LTL
Taxes payable:				
Income tax payable	25	61	-	-
Payable taxes other than corporate income tax	4 546	11 088	12 501	32 883
Payable social insurance payments	12	29	-	-
	4 583	11 178	12 501	32 883

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20. Related-party transactions (continued)

(j) Loans from related parties – Government (Note 13)

	USD	LTL
Beginning of period	290 487	845 376
Interest expense	15 394	42 712
Interest paid	(15 377)	(42 664)
Credit refund	(124)	(340)
Currency translation differences	113	(56 831)
End of the nine month period having ended on 30 September 2006	290 493	788 253
Beginning of period	290 493	788 253
Interest expense	5 184	13 887
Interest paid	(5 169)	(13 847)
Repayment of borrowings	(134)	(355)
Currency translation differences	13	(24 104)
End of the three month period having ended on 31 December 2006	290 387	763 834
Beginning of period	290 387	763 834
Interest expense	15 389	39 404
Interest paid	(15 374)	(39 365)
Repayment of borrowings	(143)	(365)
Currency translation differences	109	(55 301)
End of the nine month period having ended on 30 September 2007	290 368	708 207

Loans from related parties consist of loans granted by the Government to the Company amounting to 288 927 thous. USD or 704 693 thous. LTL (December 2006: 288 927 thous. USD or 759 994 thous. LTL) and AB Mažeikių Elektrinė amounting to 1 409 thous. USD or 3 802 thous. LTL (December 2006: 1 445 thous. USD or 3 436 thous. LTL) plus interest accrued amounting to 32 thous. USD or 78 thous. LTL (December 2006: 15 thous. USD or 39 thous. 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 (by 15 December 2006).

**Orlen Gaz Sp.z.o.o., ORLEN PetroCentrum Sp.z.o.o., ORLEN Morena Sp.z.o.o., Orlen Insurance Ltd, Orlen Prewencja Sp.z.o.o, Orlen Project S.A are treated as PKN ORLEN Group companies (since 15 December 2006).

21. Events after balance date

The Company established the subsidiary UAB Mažeikių Nafta Medical Centre. The new subsidiary was registered on 23 October 2007 in the Register of Legal Entities, with authorized capital of 10 thous. LTL, the shares were paid by the monetary contribution of the Company. The new subsidiary will replace the former health care centre, it will provide the personal and public health care services, training and other services to the customers, perform the testing of the working places.