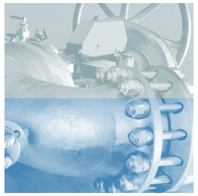


Mažeikių Nafta AB annual report

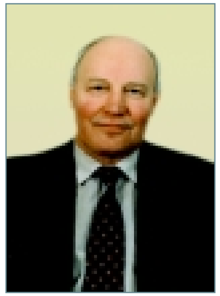
contents

board

J. Scheel – Managing Director, Williams International Company, Chairman of the Board

V. Valys – Senior Economist, Economy Sectors Division, Ministry of Finance

V. Petrošienė – Finance Director, Mažeikių Nafta AB



G. Vaičiunas – Advisor to the State and Municipal Economy Department of the Office of the Government of the Republic of Lithuania

K. Balkevičius – Head of Fuel Strategy Division, Ministry of Economy

R. Majors – General Director, UAB Williams Lietuva

general director's review

1999 was a year of significant events for our Company. The privatization process, which had been developing for nearly two years, was successfully completed. On 29 October 1999 an agreement was signed between the Government of Lithuania, Mažeikių Nafta AB and Williams International Company, resulting in Williams International becoming owners of 33 per cent of the Mažeikių Nafta AB stock. It was also then entrusted with the operation of the Company.

We can also take great pleasure and pride in the successful completion of the Būtingė Terminal. The Terminal's export scheme began functioning in July, with the import scheme being first tested in November. The fully operational export-import terminal at Būtingė can now service oil tankers of up to 150,000 tonnes DWT, almost twice the size of 80,000 tonnes DWT originally envisioned. We not only have already loaded the biggest tankers in the Baltics, we have also added a third alternative to pipeline and rail shipments.

Much attention has been paid to product quality. Last year the Refinery began producing gasoline, jet, and diesel fuels in accordance with new European Union standards. We are delighted that we still remain the largest company and largest taxpayer not only in Lithuania, but also throughout the whole Baltic Region we have also begun the necessary work of modernization to improve our leading contribution to the Baltic regional economy.

We can take particular confidence in the Company's 1999 financial results. Turnover, which reduced by 20 per cent over the year due to low oil prices, recovered strongly at yearend. Overall results, while negative – include large amounts of depreciation and reserves for conversion to US GAAP – and demonstrate a strong underlying positive cash flow.

These financial results were achieved despite unsteady crude oil supplies, steep rises in the price of oil on world markets, and general economic decline in Lithuania with reduced local consumption of oil products. However, the Company did not let its position slip in the regional market, in Poland, and successfully negotiating a marketing JV with BP Amoco.

The newly privatized Company was also successful in restoring investor confidence. Because of the lack of working capital and continuity of crude supplies the Company's share price on the Lithuanian National Stock Exchange (NVPB) at the beginning of 1999 struggled to reach 0.42 LTL. After the successful privatization of the Company the share price rose to 0.82 LTL. Privatization helped solve many financial problems: both major shareholders (the Lithuanian Government and Williams International Company) reached agreement on the restructuring of short-term debt into long-term; in addition, the funding necessary for working capital was infused. The Company's liquidity greatly improved, as did our other financial indicators. A large-scale modernization programme has been embarked upon.

All efforts are directed towards becoming the leading oil refining and transportation company in Europe, of being a significant player in the Lithuanian and Baltic regional economy and of being able to increase value to our shareholders. We will continue to steadily improve our activities, and to add value to the Company. In the year 2000 and in succeeding years we aim towards increasing profitability, reducing costs, improving the quality of oil products, introducing new products, expanding production and transportation, and offering new services. In achieving our strategic goals we will attempt to implement the following tasks: to reduce operating costs, to implement the modernization programme, to introduce Western business practices and to expand our participation in important markets. We will implement our marketing strategy of developing strategic alliances with major market leaders, and by offering our consumers high-quality oil products. We will also work on improving employee qualifications and consciousness, as well as improving conditions in the workplace environment, and the capability of our assets.

Thank you for taking the time to meet our company.

Stephen F. Hunkus — General Director




crude oil supply

Crude oil is supplied to Mažeikių Nafta AB from Russia through a spur of the mainline “Druzhba” pipeline, the original design capacity of which is 16 million tonnes per year. This year, Mažeikių Nafta AB has also demonstrated the ability to receive over 4 million tonnes per year of crude and other feedstock by separate rail facilities, a process which continues. We have now added a third access for crude supply. For the first time, a cargo of North-sea crude oil was imported via the newly operational Būtingė Terminal, thus affording the Company even greater flexibility in crude oil suppliers.

Mažeikių Nafta AB continued to work with suppliers on a contract-to-contract basis as in previous years. Crude oil was supplied by international oil companies directly or through intermediaries on an agreed price basis.

Major crude oil suppliers this year were the following: Tintrade, Andre & Cie SA, LUKOIL, YUKOS, and the Rosby Oil Corporation.

The refinery also purchased alternative feedstock types, such as gas condensate, atmospheric residue and middle distillates to produce refined products. This enabled better utilization of production capacities.

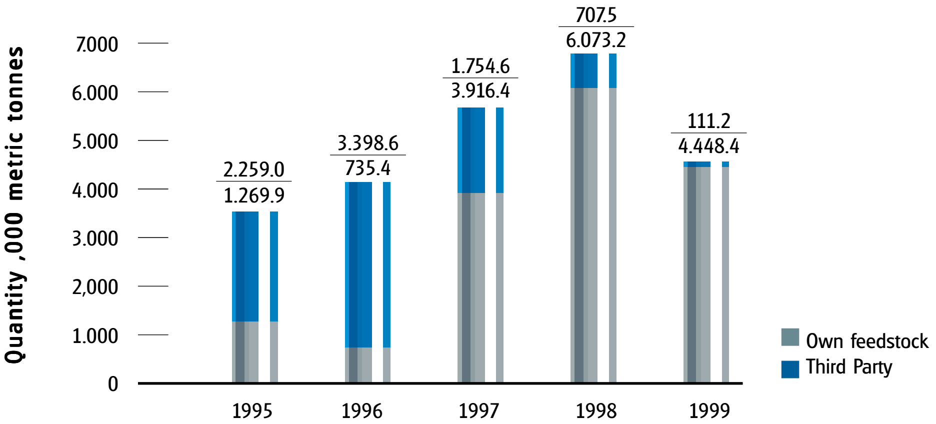
Atmospheric residue and vacuum distillate were mainly supplied by Tintrade, Santana Trading LLC and Naftextra p&T Company LLC; the major supplier of gas condensate was Tintrade.

The refinery continued to provide refining on a fee basis to other oil companies for both operational and market access reasons.

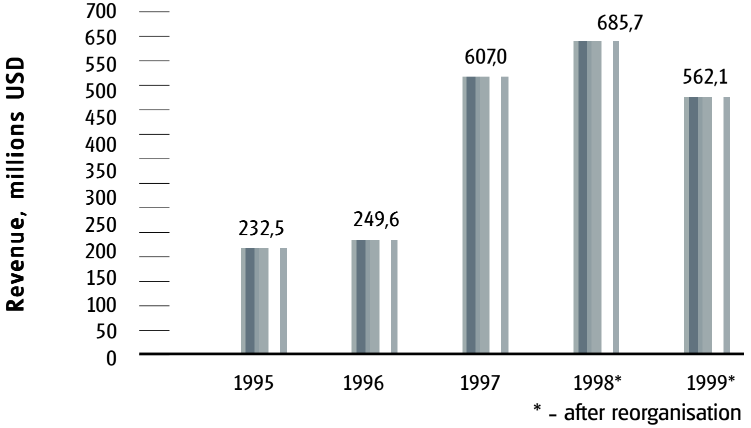
feedstock processing

The Refinery's utilization rate decreased from 45% to 31% in 1999. This lower utilization rate was due to several shutdowns resulting from lack of crude.
The Refinery processed 4.56 million tonnes of feedstock consisting of 4.45 million tonnes of its own feedstock and 0.11 million tonnes of feed-stock supplied by third parties for processing for their use.
Of the feedstock processed, 4.25 tonnes consisted of crude oil purchased by Mažeikių Nafta AB.

feedstock procesing



revenue from main activity



changes in production

The Mažeikių Nafta AB Refinery produces and markets only environmentally safe grades of unleaded gasoline. In 1999 the Refinery brought into production the following newly certified products:

Gasoline, LST EN 228	-	Grades 92, 95 and 98, Classes 3 and 6
Diesel fuel, LST EN 590	-	Classes C, E and F
Diesel fuel, LST EN 590	-	Classes C, E and F with multifunctional additives

Polymer-modified road bitumen, LST 1507

Also, new Certificates of Conformity were approved for new products in Russia:

Gasoline, LST EN 228	Grade 92, Class 3
Gasoline, LST EN 228	Grade 95, Class 1 and 3
Diesel fuel, LST EN 590	Classes C, E and F

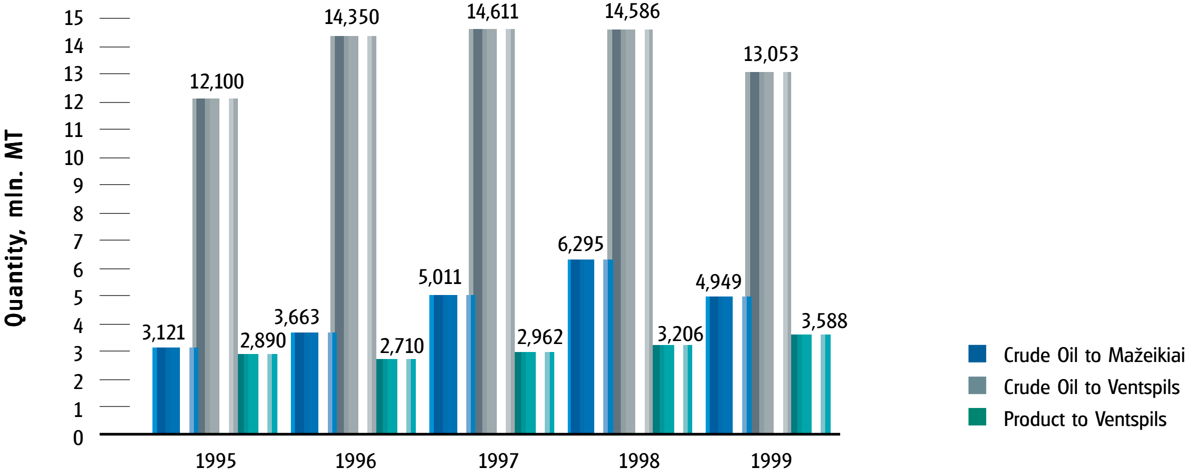
Polymer-modified road bitumen, LST 1507

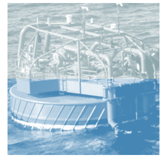
transportation

activities of the Biržai Division

	1998			1999		
	Ventspils	Mažeikiai	Pipeline	Ventspils	Mažeikiai	Pipeline
Pipeline capacities, million tons	15,0	15,0	4,0	15,0	15,0	4,0
Actual transportation, million tons	14,5	6,3	3,2	13,0	4,9	3,6
Capacity utilization, %	96,4	42,0	80,0	86,7	32,7	90,0

Biržai pipeline transportation dynamic



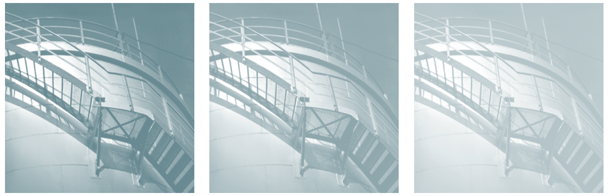


activities of the Būtingė Division

On November 22, 1999 State Commission of the Republic of Lithuania signed the Acceptance Act for Stage II Work, thus completing Būtingė Terminal projects for crude oil export/import.

On July 23, 1999 the first tanker, Centaur, was loaded with crude oil owned by the Russian YUKOS Oil Corporation, which up to now is the largest customer of the Terminal. A contract for the export of 800,000 tonnes of crude oil for 1999 was signed with YUKOS.

During the year 1999 nine tankers were serviced. A total of 690,100 tonnes of crude oil were pumped consisting of 606,700 tonnes of Russian crude exported, and 83,500 tonnes of Flotta crude imported.



marketing

Marketing activities during 1999 were affected by a lack of stability in the world oil market. At the beginning of 1999 the price of a barrel of crude oil stood at 10 USD, whereas by the end of the year the price had risen to 26 USD. The reasons for this lack of stability in oil prices in 1999 included the following:

- an OPEC agreement to reduce production to 2,104,000 barrels per day;
- overproduction of oil products because of low prices at the beginning of the year;
- a reduction in oil reserves at the end of the year;
- exaggerated fears over the effects of Y2K;

Other events that exerted an effect on marketing activities were:

- Russian Government resolutions that limited the export of oil products; in the second half of 1999 gasoline exports were prohibited, with diesel and heavy fuel oil exports being limited to only 30 per cent of total production;
- increased excise duties on oil products exported from EUR 5.00 to EUR 60.00 per tonne;
- interruptions to crude supplies at Mažeikių Nafta AB;
- licensing of oil product imports so the Company could sell imported products as part of our marketing strategy.

Also, the general economy of the country has a significant effect on the activities and development prospects of any company. This determines the purchasing power of consumers, their conduct in the market and demand for products.

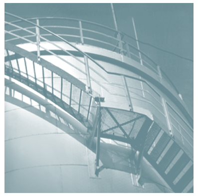
In 1999 Mažeikių Nafta AB's market share in regional markets increased. Some influence was felt from a change in March 1999 to the Company's product sales strategy, including contracts being signed with the biggest oil product wholesalers in Lithuania.

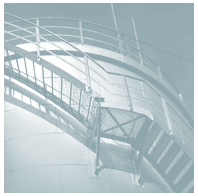
own production market distribution, %

Product	Lithuania	Export
LPG	47,33%	52,67%
Gasolines	28,36%	71,64%
Jet Fuel	7,40%	92,60%
Diesel	42,34%	57,66%
Fuel Oil	70,16%	29,84%
Bitumen	85,87%	14,13%
Sulphur	94,50%	5,50%
Total:	42,81%	57,19%

However, in 1999 oil product sales within Lithuania in real terms were down on 1998 by 238,400 tonnes: gasoline sales dropped by 37,200 tonnes, Jet A1 by 19,600 tonnes, heavy fuel oil by 230,700 tonnes, with only diesel fuel sales increasing by 32,500 tonnes over the previous year.

The drop in oil product sales within Lithuania is an indication of the downturn in the country's economy. In addition, some consumers of heavy fuel oil opted to move to natural gas as an alternative, in view of the high price of the former. With newer automobiles appearing throughout the country, sales of high-octane A-95 gasoline increased, with reductions in volumes sold of A-80 and A-92. This scenario should continue over the coming years, within the entire regional market of the Company.





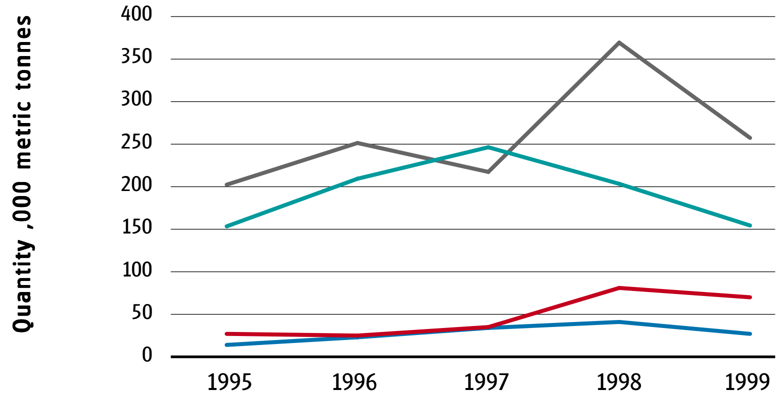
In the Company the volume of refined products was only down by 1.35 million tonnes in 1999 over 1998, this in spite of the Russian market situation, and that exports to Ukraine were two thirds lower than in 1998.

Exports of oil products were lower to all markets except Poland, with 266,800 tonnes being exported; an increase of 14,400 tonnes over 1998.

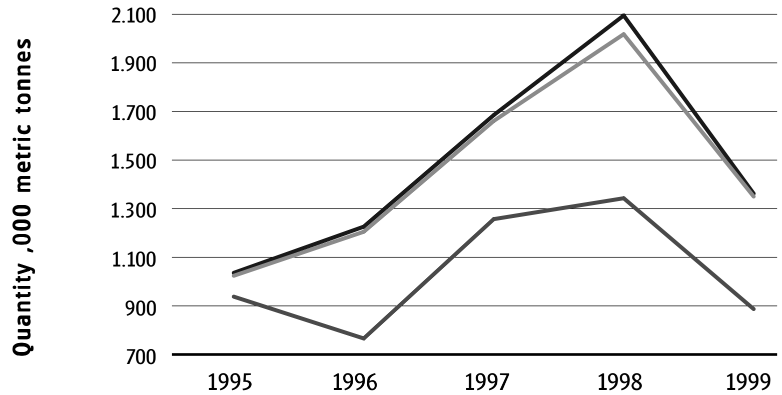
For the future, our main tasks for increasing the effectiveness of marketing include:

- increase market share in targeted markets (jet fuel, Latvia, Estonia and Poland);
- enter into partnerships with the local divisions of the major oil companies based in Poland, Latvia, and Estonia in order to become their major supplier;
- utilize export opportunities to Ukraine and Russia;
- win the support of the Lithuanian Government in amending resolutions, which would permit the export of certain oil products through the Klaipėda Terminal, in abolishing duty on Jet A1 sold to consumers within Lithuania, and in protecting the Lithuanian market from inferior quality oil products.
- expand our joint marketing venture with BP Amoco for product to Europe.
- develop a strategic or joint marketing venture for the Baltic region, and possibly, CIS.

production of oil products

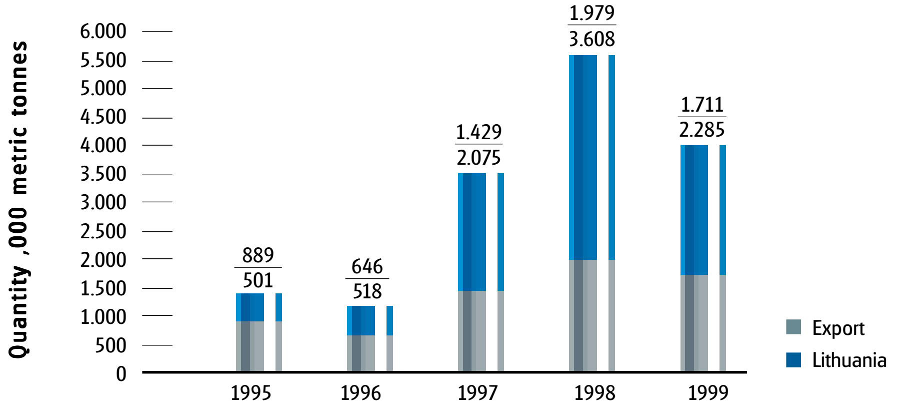


	1995	1996	1997	1998	1999
LPG	161	217	254	211	162
Jet Fuel	210	259	225	377	265
Bitumen	27	25	35	81	70
Sulphur	14	23	34	41	27

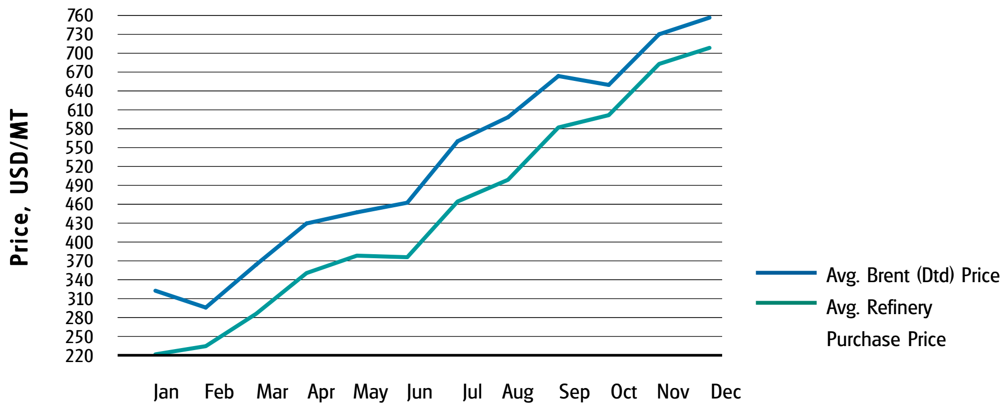


	1995	1996	1997	1998	1999
Gasoline	1.036	1.226	1.685	2.095	1.362
Diesel Fuel	1.024	1.205	1.661	2.018	1.350
Fuel Oil	938	766	1.257	1.343	887

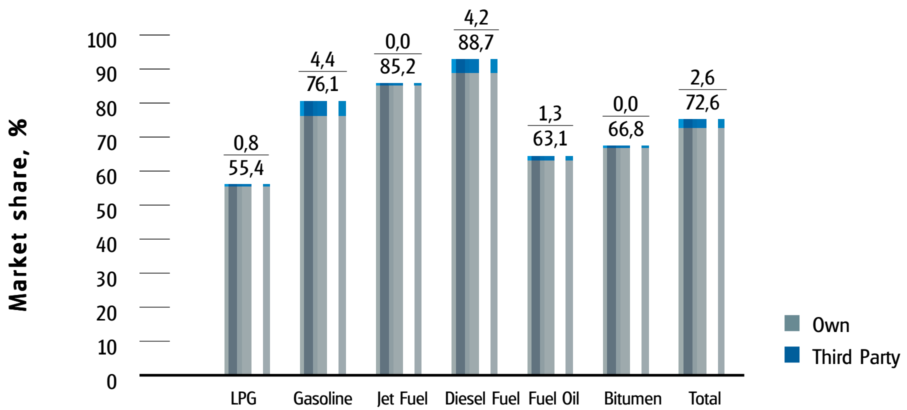
own oil product sales



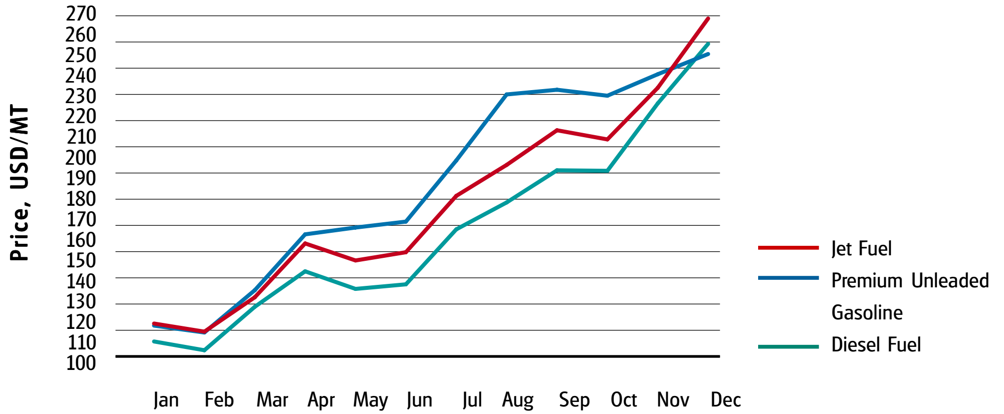
crude oil price in 1999



Mažeikių Nafta AB market share in Lithuania in 1999



product prices in 1999 (Rotterdam)



process improvements

The implementation was begun at the Refinery in 1999 of a large-scale modernization programme, designed to ensure that Mažeikių Nafta AB production meets the new standards being required by the European Union, as well as to increase light product yields, reduce production costs and execute accurate product accounting and control.

The main investments into asset improvement were:

- KU-201 boiler steam dispersal unit and lining replacement, furnace KR-203 lining and partial coil replacement – 3.7 million LTL;
- K-601 column cleaning section replacement;
- Lyngström air heater replacement with Corpex heat exchanger;
- Replacement of fire protection piping; connection of lines 15 and 23, replacing these with French Pont-à-mausson pipes – 400,000 LTL;
- Reconstruction of water cooler No. 1 in Block No. 1, replacing wooden cover with plastic – 1.4 million LTL;
- Major repair item during 1999 was the repair of reactor R-302/1 in the oligomerization unit, replacing a section of the casing and installing a heat-resistant concrete lining – 2.2 million LTL;
- The out-of-date 0.4 kW electric distribution box in the Refinery's Central Laboratory as been replaced with a modern French Merlin Guerin unit of the same power. The cost of this purchase was 200,000 LTL.

New equipment for the implementation of the modernization project:

- electric cable laying equipment. Purchase cost – 200,000 LTL;
- Instruments for testing and carrying out diagnostics on 6 kW electricity distribution boxes. Purchase cost – 300,000 LTL.

Improvements to oil product metering and client services:

- SAAB metering levels to be installed in tanks nos. 5, 7, 8, 9, 13, 14, 19, 20, 21, 22, 39 and 40, with data transfer to computer;
- Installation of level and debit metering and accounting systems in tank farms;
- LPG accounting system (weighbridges for tank-wagons, drawing mechanisms etc.). Cost – 900,000 LTL;
- Install a heavy fuel oil road transport loading scheme from Tanks 39 and 40.
- LK-1: Acquired to replace the out-of-date and worn-out Russian Tulaelektroprivod electric valve drives on furnaces TK-201 and TK-203 were ten electric drives from the Rotorq company at a cost of 200,000 LTL.
- A waste-disposal furnace, type G 105/300 BTs, was bought at a cost of 400,000 LTL, was bought, but since the major outage has been postponed by one year, the furnace has not been replaced;
- Heat insulation of the electric shop has been replaced at a cost of 800,000 LTL.

Improvements to oil product quality:

- Merox-Minalk alkylation block to be installed under licence from UOP (cost – 700,000 LTL);
- expansion of the diesel multifunctional additive dosing station: construction and installation of Tanks 4 and 5, heating; KM equipment purchase and installation;
- acquisition from Haldor Topsoe of new catalysts for kerosene and diesel hydro-treating, and from Akzo Nobel for vacuum distillate hydro-treating;
- acquire and introduce new additives into production:

  for diesel fuel – ADX 743 to increase the cetane index, Paraflow 468 to improve anti-sediment qualities, multi-function Keropur DP 501 to improve functioning;

  for road bitumen – Styrelf-39 polymer to permit the production of polymer-modified road bitumen suited to sections where road use is particularly heavy.

16.8 million LTL was spent on asset improvements in the Biržai Division during 1999; 260.3 million LTL was spent at the Būtingė Division, 115.3 million LTL in the Refinery and 800,000 LTL in subsidiary companies.

In total, 393.2 million LTL was spent on asset improvements in Mažeikių Nafta AB during 1999.

personnel

In 1999 there were an average of 3,767 persons employed in the Company, of whom 3,467 were employed at the Mažeikiai Refinery, 95 at the Būtingė Terminal and 205 in the Biržai Division.

Men made up 72 per cent of the total number of employees (2,727), and women the other 28 percent (1,040 persons).The average age of employees was 38 and the average length of service was 8 years.

breakdown by job category was as follows (percent):

Job description	Mažeikiai Refinery	Būtingė Terminal	Biržai Pipeline
Senior executives	10	23	13
Experts	14	19	18
Clerks	1	1	1
Workers	75	57	66

employee education

	Incomplete secondary education	Secondary education	Specialized	Higher education	University
Mažeikiai Refinery					
Senior executives	1	24	13	103	208
Experts	-	29	15	166	280
Clerks	2	11	5	6	3
Workers	299	1089	613	585	85
Būtingė Terminal					
Senior executives	-	-	1	7	14
Experts	-	-	-	4	14
Clerks	-	-	-	-	1
Workers	2	11	12	22	7
Biržai Pipeline					
Senior executives	-	1	-	14	9
Experts	-	2	3	11	19
Clerks	-	5	-	-	2
Workers	9	61	44	24	1

employee qualifications

143 Refinery employees (4 per cent) are studying in universities and centres of higher education whilst continuing with their main employment. 260 employees have the opportunity of moving up to the 5th or 6th work qualification grade. Because the Refinery labour reserve that has access to skills and knowledge improvement, they in turn are able to work more efficiently.

Because of the increasing complexity of equipment and production management, great significance is placed on the raising of employees' qualifications. Annually a considerable number of experts and senior executives, sponsored by the Company, attend various training courses, seminars, conferences and exhibitions not only in Lithuania but abroad as well. The Company spent more than 1 million LTL on this alone.

There is a productive Trade Union within the Company. It actively works with the Company to address the interests of employees and the Company not only at the local level, but at national level as well. The result of the co-operation between the company's senior executives and the Trade Union Collective Bargaining Agreement serves the Company's interests for the benefit of all employees.

health and safety at work

In 1999, one serious work accident took place in the Refinery (in 1998 there also was one serious work accident). Five cases of industrial injury took place and there were 7 off-site injuries suffered whilst on the way to or from work. Two minor off-site accidents took place in Būtingė Terminal. Five minor accidents were recorded in the Biržai Division. To prevent such cases, the Company has toughened process and labour discipline, as well as instituting duty safety officers. Penalties were tightened for any breach of safety and work regulations.

Great attention is paid to the safety and hygiene of employees. The Occupational Medicine Service periodically examines the employees' health, tests employees clinically and biologically, which allows an evaluation general state of health, as well as helping to diagnose illness. The results of these analyses contribute to preventing industrial diseases.

environmental safety

All environmental issues at the Refinery are resolved in parallel with production problems. Mažeikių Nafta AB is determined to maintain all environmental safety standards in all areas of its activities. For this purpose, the Company spent about 7.8 million LTL in 1999; in addition, there were implemented the following environmental safety measures:

- Reconstruction of Fluestack H-120m for Sulphur Recovery Unit 2 by installing metal flue and changing burn-out furnaces by employing technology from the Polish firm, Korserwis. Cost – 2.8 million LTL;
- Technological Condensate Treatment Unit with technology from the Russian Elistec firm. Cost – 4.5 million LTL;
- Construction of a polluted soil regeneration site has begun at a cost of 500,000 LTL.

In 1999, the volume of atmospheric pollutants did not exceed the standards stipulated in environmental resources permit. A standard cleansing level for effluent pumped into the surface water facilities in the production effluent unit was achieved. In 1999, the quantity of industrial effluents dropped. The quantity of atmospheric emissions also decreased. In December of 1999 the Ministry of Environment approved emission levels of industrial effluents. The Company paid 1,600 LTL in environmental fees in respect of water pollution (7 times less than in the previous year). Environmental fines constituted 3.5 million LTL, which were 100,000 LTL less than in 1998.

trading in the company's shares

Mažeikių Nafta AB shares were first floated on the National Securities Exchange (NVPB) on 5 February 1996.

Upon the reorganization of Mažeikių Nafta AB in 1998, the number and value of the shares changed.

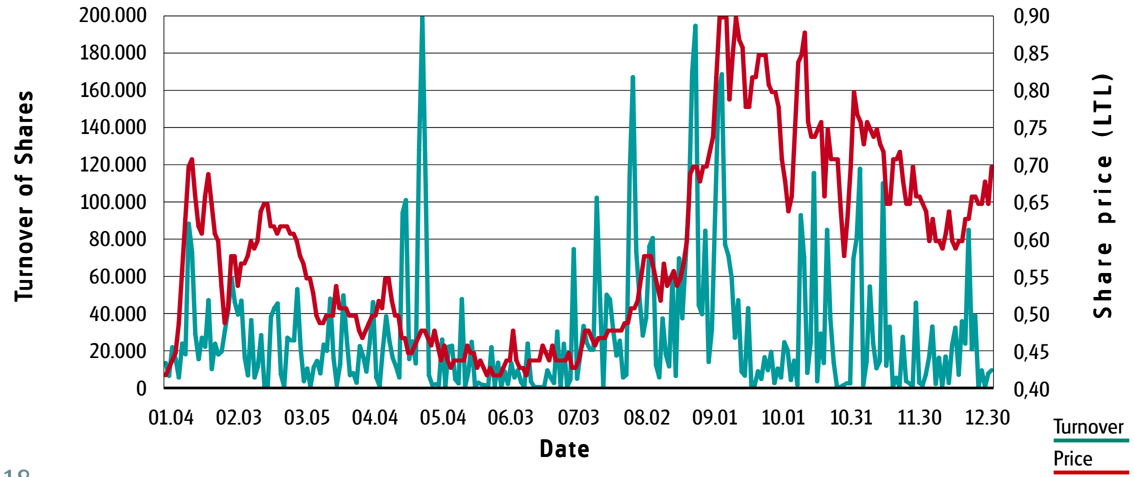
In 1999 Lithuania entered a period of economic crisis, this having an effect on share trading.

On 29 October 1999 a shares issue was realized for Williams International, the strategic investor. This invigorated trading.

Mažeikių Nafta AB market value indicators (at 31 Dec.)

	1998	1999
Capitalization (,000 ltl)		
No. of ordinary shares x market price	291 246	724 493
Share price / profit ratio		
Share price / profit per share	-2,98	-4,56
Profit per share		
Net profit / no. of ordinary shares	-0,14	-0,15
Ratio of Quoted Share Price and Nominal Value		
Market price / nominal value	0,42	0,70

Mažeikių Nafta AB share price and turnover in 1999



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LT 2000 Vilnius
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Tel. 370 2 313 063
Faks. 370 2 620 743

To the shareholders of Mažeikių Nafta AB

We have audited the consolidated balance sheets of Mažeikių Nafta AB and subsidiaries as of 31 December 1999 and 1998, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants (IFAC) and on 21 January 2000 have issued a qualified opinion on these financial statements.

Tangible assets of the Company are properly presented in accordance with Lithuanian accounting principles, however, United States Generally Accepted Accounting Principles (US GAAP) require presentation of tangible assets on the basis of historical cost less accumulated depreciation. In accordance with resolutions of the Government of Lithuania, the Company has revalued tangible assets four times prior to 31 December 1999 and 1998 resulting in a cumulative increase in the net book value of tangible assets of LTL 460,358 thousand. Due to many movements and lack of separate registrations of the indexed amounts per asset, the Company is unable to quantify the effect of the indexations on the balance sheets as of 31 December 1999 and 1998, and, accordingly, we are unable to express an opinion on the historical cost and accumulated depreciation thereon in accordance with US GAAP.

In our opinion the information presented in the accompanying consolidated balance sheets of Mažeikių Nafta AB and subsidiaries as of 31 December 1999 and 1998, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

In July 1999 the Government of Lithuania passed a decree changing the export recognition procedure for taxation purposes. As a consequence, the Company has reversed LTL 117,496 thousand of VAT and excise tax payable to the State Tax Authorities and has also eliminated corresponding accounts receivable of LTL 43,626 thousand of refundable taxes and LTL 45,654 thousand of accrued income reported in the financial statements for the year ended 31 December 1998. Furthermore, the Company has reversed against VAT and excise tax expenses LTL 28,216 thousand of VAT and excise tax expenses reported in the statement of operations prior to 31 December 1998.
Several claims in the total amount of LTL 180,538 thousand were submitted by the oil terminal project contractors against the Company. In July 1999 the Company signed a settlement agreement with one of the contractors, Preussag Wasser & Rohrtechnik GmbH, and agreed to satisfy the total claims of LTL 98,058 thousand by payment of LTL 74,000 thousand, of which LTL 40,000 thousand has been paid as of 31 December 1999 and the remaining LTL 34,000 thousand has been included in other accounts payable (LTL 4,000 thousand in current liabilities and LTL 30,000 thousand in long-term accounts payable) in the financial statements as of 31 December 1999. The outcome of the claims of LTL 82,480 thousand received from Fluor Daniel Intercontinental Inc. is uncertain at this time. A provision of LTL 16,600 thousand for these claims was recognized in the financial statements as of 31 December 1999. No provisions have been made in these financial statements for any additional liabilities that may result from these claims.

Certain changes in legislation are required and additional land lease agreements must be obtained for the existing pipelines operated by the Company and for the planned pipeline from Maeikiai to Būtingė. No provisions have been made in the consolidated financial statements for the uncertainty or the cost associated with obtaining these lease agreements.

ARTHUR ANDERSEN
(Company audit license No. 117)

Per Moeller	Vytautas Bučas Auditor's license No. 000020

Vilnius,
21 January 2000.

Consolidated Statements of Operations, 1999 & 1998 (LTL '000)

	1999	1998
Net sales	2,300,214	2,816,654
Cost of sales	(2,000,037)	(2,406,696)
Selling and distribution expenses	(95,381)	(161,054)
General and administrative expenses	(209,827)	(185,127)
Depreciation and amortization	(129,521)	(96,049)
Operating (loss)	(134,552)	(32,272)
Other income	49,916	-
Financial income (expenses), including exchange gain, net	(74,038)	(51,407)
Equity in earnings (equity's losses) of associated companies	(59)	(58)
(LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	(158,733)	(83,737)
Income tax	(138)	(13,561)
(LOSS) BEFORE MINORITY INTEREST	(158,871)	(97,298)
Minority interest	2	(400)
NET (LOSS) FOR THE YEAR	(158,869)	(97,698)

Consolidated Balance Sheets, 1999 & 1998 (LTL '000)

	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	500,875	126,053
Trade accounts receivable, net	115,410	191,278
Prepayments and other current assets	98,211	117,484
Inventories, net	347,601	149,118
Total current assets	1,062,097	583,933
Long-term investments	6,659	3,612
Tangible assets, net		
Machinery and equipment	1,901,719	954,645
Accumulated depreciation: machinery and equipment	(626,161)	(551,160)
Buildings	221,547	205,025
Accumulated depreciation: buildings	(59,892)	(54,808)
Construction in progress and prepayments for tangible assets	96,990	767,572
Other tangible assets	345,494	286,947
Accumulated depreciation: other tangible assets	(103,591)	(81,701)
Total tangible assets, net	1,776,106	1,526,520
Intangible assets, net	21,431	19,258
Long-term accounts receivable	1,532	1,946
TOTAL ASSETS	2,867,825	2,135,269

Consolidated Balance Sheets, 1999 & 1998

continued

(LTL '000)

	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term loans	140,951	59,444
Current portion of long-term lease	5,163	2,702
Short-term loans	40,959	615,751
Trade accounts payable	32,005	194,085
Other payables	28,837	18,886
Advances received	3,791	58,772
Accrued and other current liabilities	89,934	173,504
Total current liabilities	341,640	1,123,144
Long-term liabilities		
Long-term loans	1,808,259	462,413
Long-term lease	10,423	12,704
Other long-term accounts payable	30,000	-
Subsidies	19,851	19,851
Deferred road taxes	591	1,225
Total long-term liabilities	1,869,124	496,193
Minority interest	1,615	1,617
Commitments and contingencies		
Shareholders' equity		
Share capital (1,034,989,850 shares authorized, issued and outstanding as of 31 December 1999, 693,443,200 shares authorized, issued and outstanding as of 31 December 1998)	1,034,990	693,443
Share surplus	258,453	-
Legal reserve	-	8,775
Revaluation reserve	437	437
Shareholder's debenture	(300,000)	-
Accumulated deficit	(338,434)	(188,340)
Total shareholders' equity	655,446	514,315
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,867,825	2,135,269

Consolidated Statements of Shareholder Equity, 1999 & 1998
(LTL ‘000)

	Share capital	Share surplus	Legal reserve	Revaluation reserve	Accumulated deficit	Total
Balance as of 31 December 1997	811,470	-	8,775	15	(50,771)	769,489
Increase in share capital:						
Increase in Pipeline operator’s share capital	18,871	-	-	-	(18,871)	-
Decrease in share capital due to reorganization:						
Separation of UAB Tvoklė from Pipeline operator	(10,800)	-	-	-	-	(10,800)
Elimination of Oil terminal shares held by Pipeline operator	(43,650)	-	-	-	-	(43,650)
Separation of UAB Ventus – Nafta from Oil refinery	(69,120)	-	-	-	-	(69,120)
Separation of UAB Plinkšių Viešbutis from Oil refinery	(7,300)	-	-	-	-	(7,300)
Correction of error of formation and increase of the authorized share capital of Oil refinery	(13,229)	-	-	-	-	(13,229)
Adjustment to correct Oil refinery share capital booked in 1997	7,201	-	-	-	-	7,201
Increase in share capital:						
(Loss) for the year	-	-	-	-	(97,698)	(97,698)
Dividends paid by Pipeline operator for 1997	-	-	-	-	(12,000)	(12,000)
Dividends paid by Oil refinery for 1997	-	-	-	-	(9,000)	(9,000)
Increase in revaluation reserve	-	-	-	422	-	422
Balance as of 31 December 1998	693,443	-	8,775	437	(188,340)	514,315

Consolidated Statements of Shareholder Equity, 1999 & 1998 (LTL ‘000)

continued

	Share capital	Share surplus	Legal reserve	Revaluation reserve	Share-holder’s debenture	Accumulated deficit	Total
Balance as of 31 December 1998	693,443	-	8,775	437	-	(188,340)	514,315
Increase in share capital	341,547	258,453	-	-	(300,000)	-	300,000
Transferred to accumulated deficit	-	-	(8,775)	-	-	8,775	-
(Loss) for the year	-	-	-	-	-	(158,869)	(158,869)
Balance as of 31 December 1999	1,034,990	258,453	-	437	(300,000)	(338,434)	655,446

Consolidated Statements of Cash Flows, 1999 & 1998
(LTL '000)

	1999	1998
Cash flows from operating activities		
Net (loss) for the year	(158,869)	(97,698)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	117,130	92,387
Amortization	12,391	3,662
Loss on retirements of tangible assets	7,113	2,253
Loss on retirements of intangible assets	77	75
Government grant	(49,916)	-
Provision for trade accounts receivable	44,591	24,005
Long-term investments write-off	6,973	-
Reversal of prepayments and other current assets write-off	(4,769)	(299)
Unrealized currency exchange gain on loans	(238)	-
Equity in earnings (equity's losses) of associated companies	59	58
Minority interest	(2)	400
	(25,460)	24,843
Changes in operating assets and liabilities:		
Inventories	(198,483)	101,721
Trade accounts receivable	31,277	(73,343)
Prepayments and other current assets	24,042	(23,010)
Trade accounts payable	(162,080)	(68,047)
Other accounts payable	9,951	(12,970)
Advances received	(54,981)	27,983
Accrued and other current liabilities	(83,570)	145,717
Net cash from (used for) operating activities	(459,304)	122,894
Cash flows from investing activities		
Acquisition of intangible assets	(14,641)	(19,244)
Acquisition of tangible assets	(368,500)	(565,672)
Proceeds from sales of tangible assets	363	354
Additions to long-term investments	(10,079)	(44,750)
Cash contributions to entities, excluded during reorganization	-	(2,400)
Change in short-term investments	-	1,625
Net cash (used in) investing activities	(392,857)	(630,087)

Consolidated Statements of Cash Flows, 1999 & 1998

continued

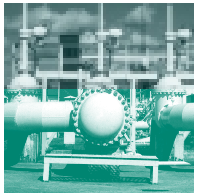
(LTL '000)

	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	398,155	787,000
Repayments of short-term loans	(971,655)	(447,766)
Proceeds from long-term loans	1,682,487	137,840
Repayments of long-term loans	(209,866)	(33,212)
Increase in loan interest payable	3,594	-
Repayments of long-term lease	(5,512)	(8,445)
Change in deferred road tax	(634)	1,225
Change in long-term accounts receivable	414	(33)
Change in long-term accounts payable	30,000	-
Issuance of shares	300,000	-
Payment of dividends	-	(21,000)
Net cash provided by financing activities	1,226,983	415,609
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	374,822	(91,584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	126,053	217,637
CASH AND CASH EQUIVALENTS AT END OF YEAR	500,875	126,053
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	109,769	63,916
Cash paid for income tax	138	13,561
NON CASH INVESTING AND FINANCING ACTIVITIES		
Government grant	49,916	-
Capital lease additions	5,692	15,795

The Management:

Steve Hunkus

John Savolainen



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