

A/S VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

CONDENSED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

AND

CONDENSED CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

Board of a/s Ventspils nafta
Ostas iela 23
Ventspils, LV-3601
Latvia

Re: Consolidated Financial Statements of a/s Ventspils nafta for 2004

According to our agreement on audit services, SIA Ernst & Young Baltic currently performs the audit of the Consolidated Financial Statements of a/s Ventspils nafta for 2004 already approved by the Board of a/s Ventspils nafta and on the basis of which the condensed Consolidated Financial Statements of a/s Ventspils nafta for 2004 have been prepared. We conduct our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Based on the audit procedures performed so far, at this moment we are not aware of any material adjustments to be made in the above mentioned financial statements. However, we would like to draw your attention to the issue that should be solved in order for us to fully complete the audit procedures and issue our audit report thereon.

The Law on Financial Statements of Companies, Section 39, Paragraph 3, states that at the end of each reporting year, the balances under captions *Investments in Related Companies* and *Investments in Associates* shall be increased or decreased according to the changes in the value of investment in the respective subsidiary or associate during the reporting year. For this purpose, the information provided in the annual report already approved by the general shareholders' meeting of the respective subsidiary or associate shall be used. Moreover, according to the Law on Consolidated Financial Statements of Companies, Section 29, Paragraph 11, an associate shall provide the companies which exercise a significant influence thereon with a copy of the annual report approved by the general shareholders' of the associate. If the associate prepares a consolidated annual report, this provision shall also apply to the consolidated annual report of such associate.

To fully complete the audit procedures and issue the Auditor's Report on the Consolidated Financial Statements of a/s Ventspils nafta for 2004, we must receive the Consolidated Financial Statements for 2004 approved by the general shareholders' meeting of the associated company a/s Latvijas kuģniecība.

Sincerely yours,

SIA Ernst & Young Baltic



Diāna Krišjāne
Chairperson of the Board
Latvian Sworn Auditor

19 May 2005

CONTENTS

| | |
|---|-----------|
| Letter from independent auditors | 2 |
| General information | 4 |
| Management and consolidated report | 6 |
| Income Statement | 9 |
| Balance Sheet | 10 |
| Statement of Cash Flows | 12 |
| Statement of Changes in Shareholders' Equity | 13 |

General information

| | |
|-------------------------------------|---|
| Name | A/s Ventspils nafta |
| Type of entity | Joint stock company |
| Registration | 50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004 |
| Legal address | 75 Talsu street, LV-3600, Ventspils, Republic of Latvia From 22 January 2004: Ostas street 23, LV-3600, Ventspils, Republic of Latvia |
| Subsidiaries of a/s Ventspils nafta | SIA LatRosTrans (66%) 7 Balvu street, LV-5043, Daugavpils SIA Ventspils nafta termināls (100%) 75 Talsu street, LV-3600, Ventspils A/s Preses nams (92.92%) 3 Balasta dambis, LV-1081, Riga SIA Mediju nams (99.31%) 3 Balasta dambis, LV-1081, Riga SIA Rīgas Līcis VN (100%) 51 Dubultu prospekts, LV-2015, Jūrmala SIA Nekustamie Īpašumi VN (100%) 3 Balasta dambis, LV-1081, Riga |
| Associated entities of the Group | A/s Latvijas kuģniecība (49.94%) 2 Basteja bulvāris, LV-1807, Riga SIA Mediji un Poligrāfija (32.70%) 3 Balasta dambis, LV-1081, Riga SIA Ventshoes (21.44%) 6 I.Mičurina iela, LV-3601, Ventspils SIA Futbola klubs Ventspils (30%) 20a Dzintaru iela, LV-3602, Ventspils |

Subsidiaries of SIA Nekustamie
Īpašumi VN

SIA Darījumu centrs Daugava (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Namserviss VN (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Ventspils biznesa centrs (100%)
3 Balasta dambis, LV-1081, Rīga

SIA under liquidation Maikapara nams (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Lejastiezumi (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Pārventas sporta centrs (100%)
3 Balasta dambis, LV-1081, Rīga

Finance year

1 January – 31 December 2004

Auditors

Diāna Krišjāne
Sworn auditor
Certificate Nr. 124

SIA Ernst & Young Baltic
Kronvalda bulvāris 3 - 5, Rīga
Latvia, LV – 1010
License Nr. 17

Management and consolidated report

Dear shareholders, clients and cooperation partners,

The year 2004 for the joint stock company *Ventspils nafta* was the starting point for efficient operating under the new and properly arranged management system of the Group. It is the result of improvement of *a/s Ventspils nafta* management system commenced in 2003 in line with the basic principles of a multi-branch group of companies, encompassing the segregation of the holding companies' functions and dividing all the entities belonging to *a/s Ventspils nafta* Group by their respective business segments.

The financial results of *a/s Ventspils nafta* for the year 2004 evidence that the Group has succeeded in reaching its aims: the financial and economic results of *a/s Ventspils nafta* Group for the reporting period reach and, in some aspects, even exceed the forecasted amounts. In terms of the financial and economic results, *a/s Ventspils nafta* is one of the most stable leading enterprises among groups of companies in Latvia.

Pursuant to the consolidated annual report of *a/s Ventspils nafta* for the year ended 31 December 2004 prepared in accordance with applicable laws of the Republic of Latvia and generally accepted accounting policies, the net turnover of *a/s Ventspils nafta* Group for the reporting period reached LVL 55.95 million, with profit after taxes amounting to LVL 13.86 million. Pursuant to the consolidated annual report for the year ended 31 December 2004 presented in accordance with International Financial Reporting Standards, the net turnover of *a/s Ventspils nafta* Group for the reporting period reached LVL 55.95 million, with profit after taxes amounting to LVL 19.21 million.

The consolidated annual report of *a/s Ventspils nafta* for the year ended 31 December 2004 comprises reclassification and revaluation of the investment in *a/s Latvijas kuģniecība*, an associated entity to *a/s Ventspils nafta*. The revaluation has been performed, based on the activity plan and the budget of *a/s Ventspils nafta* for the reporting period approved by the general shareholders' meeting of *a/s Ventspils nafta* in 2004, which defined the necessity of reclassification of *a/s Ventspils nafta* investment in *a/s Latvijas kuģniecība* (49.94%). Initially, the investment of *a/s Ventspils nafta* was stated as a current asset, but starting from 2004, it has been reclassified to non-current investments, based on the actual situation.

After completion of *a/s Ventspils nafta* restructuring process commenced in 2003, the Group's operations and investment plans were optimised thus facilitating creation of an added value to each business entity and the Group in general, as well as resulting in the respective increase of the management capacity in each particular entity, improvement of the transparency of finance matters and efficient consumption of resources.

In the beginning of the reporting period, the shareholders of *a/s Ventspils nafta* elected Olga Pētersone as Chairperson of the Board. Ms. Pētersone has an extensive experience in the management of large-scale companies. Her main objective is an ongoing increase of the value of *a/s Ventspils nafta* Group.

In 2004, *a/s Ventspils nafta* Group continued operating in the areas of crude oil and oil products transit, printing, publishing and real estate management.

In 2004, *SIA Ventspils nafta termināls* demonstrated stability of operations, regardless of impairment of rights and opportunities of *SIA Ventspils nafta termināls* to freely compete at the transit market and accept oil transported via pipelines due to external circumstances beyond the company's control. In 2004, all cargoes totalling 8.4 million tons were delivered only by railway. Compared to 2002, when oil was transported in Ventspils direction also via pipelines, the amount of cargoes delivered by railway to the terminal in 2004 increased by 1.8 million tons or 28%. The net turnover of *SIA Ventspils nafta termināls* for the reporting period reached LVL 16 million.

With the view to ensure attraction of additional cargoes, in 2004 *SIA Ventspils nafta termināls* continued increasing the volume of petrol reloading by improving technologies and offering customers a new kind of service - petrol loading into tankers having a deadweight up to 100 thousand tons. Currently, this kind of service is not offered by either terminal in the eastern region of the Baltic Sea.

For the aforementioned reasons, the volume of petrol reloading by *SIA Ventspils nafta termināls* for the reporting period increased by 0.7 million tons, compared to 2003, and even by 1.2 million tons, compared to 2002. After the year-end, during the first months of 2005, the volume of petrol reloading by *SIA Ventspils nafta termināls* reached the highest level ever recorded by the company.

Management and consolidated report (cont'd)

One of the most important events for *SIA Ventspils nafta termināls* in 2004 was launching of a new railway elevation to be used for acceptance of crude oil and oil products. This is the fourth railway elevation in the territory of *SIA Ventspils nafta termināls*, thus allowing optimisation of the terminal's capacities, diversification of the assortment of cargoes that may be reloaded by the company and prevention of idle time due to the increase in cargo volumes delivered by railway. The new elevation meets the latest modern technology requirements, its annual capacity being 4.5 million tons of crude oil or 5.5 million tons of diesel fuel. Investments in the construction of the elevation reached almost LVL 13 million. In 2004, the Republic of Latvia Ministry of Environment declared the elevation to be the most environment-friendly facility in the country.

In 2004, *SIA Ventspils nafta termināls* repeatedly received certificates on its compliance with the requirements of ISO (*International Standards Organization*) 9001:2000 and 1400:1996.

During the reporting period, *SIA LatRosTrans*, the operator and owner of oil and oil products pipelines in Latvia, recorded a substantial growth of the volumes of transported diesel fuel. In 2004, 5.7 million tons of diesel fuel were transported via the main pipeline of *SIA LatRosTrans* to the Ventspils port, thus exceeding the result of 2003 by 1.1 million tons. The net turnover of *SIA LatRosTrans* for the reporting period amounted to LVL 13.6 million.

With the view of future increase of diesel fuel transportation volumes, *SIA LatRosTrans* in 2004 implemented a stage of modernisation of the main pipeline by constructing a 10 km long looping.

During the reporting period, *SIA LatRosTrans* continued active operations aimed at elimination of excess physical losses of oil products in the result of unauthorised actions by informing and involving governmental bodies for the purpose of solving this issue. According to the belief expressed by the management of *SIA LatRosTrans* and *a/s Ventspils nafta*, in 2004 the court instances decided in favour of *SIA LatRosTrans* and its claim regarding tax surcharges for the aforementioned physical losses was met. Based on the court decisions, *SIA LatRosTrans* will be refunded taxes unreasonably charged for 2001, 2002 and 2003.

One of the measures taken by *SIA LatRosTrans* during the reporting year for the purpose of elimination of excess physical losses of oil products caused by unauthorised actions was construction of a new and up-to-date oil products accounting point allowing a more accurate oil products piping control. It is deemed to be a significant element for accounting and control of oil products transit. Investments in the construction of the accounting point reached almost LVL 3 million.

In the end of the reporting period, Sergejs Aleksandrovs was elected General Director and Board Member for *SIA LatRosTrans*. Mr. Aleksandrovs has an extensive experience and understanding about the management of the company as he has been working in this industry for more than 30 years.

The year 2004 for *a/s Preses nams* was a period of dynamic changes and development. During the reporting period, the company continued optimising its organisational and functional structure. The restructuring is expected to be completed in 2006, when production equipment will be moved from the centre of Riga to a more favourable location - two new production facilities on the outskirts of Riga.

In 2004, the manifold range of printing services offered by *a/s Preses nams*, as well as the expedient geographic disposition of the market enabled the company to maintain and strengthen its position in the segment of printing of books, periodicals and packaging both in the domestic and international market. According to the Latvian Printing Association, *a/s Preses nams* has been the major printing enterprise in Latvia and in the Baltic States over the last years.

The total turnover of *a/s Preses nams* in 2004 reached LVL 19.2 million. Income from printing services amount to 98.5% of the company's turnover, or LVL 18.9 million, including 68% of services rendered to Latvian customers and 32% representing exports. During the reporting period, *a/s Preses nams* continued upgrading its technical facilities and investing in advanced technologies. In the result of considerable investments in pre-printing processes made in 2004, *a/s Preses nams* will be able to substantially increase the speed and accuracy of the order fulfilment and curtail production costs.

In the reporting period, Uldis Ronis was elected Chairman of the Board for *a/s Preses nams*. Mr. Ronis has experience in managing other companies. His core objective is to ensure strengthening of the market share acquired by *a/s Preses nams* and ongoing development of the company.

Management and consolidated report (cont'd)

A/s Latvijas kuģniecība, an associated entity to *a/s Ventspils nafta*, succeeded in benefiting from the favourable market situation during the reporting period and derived profit in the amount of LVL 38.5 million after taxes due to circumstances beyond the management's control. A major portion of income of *a/s Latvijas kuģniecība* Group comprises reversal of impairment of *a/s Latvijas kuģniecība* fleet of vessels stated in prior years, thus increasing the profit for the previous year by LVL 23 million.

Risk diversification policy exercised by *a/s Ventspils nafta* over a past few years has resulted in a number of liquid financial investments in several real estate objects in Riga (villa *Maikapara nams*, *Preses nams* building, the office building at Palasta Street in the Old town of Riga), Jūrmala (former health resort *Rīgas līcis*), Ventspils and other regions (conference and recreation centre *Lejastiezumi* near the Usmas lake). The favourable developments in the real estate market characterised by ongoing price rise over the previous years and the reporting period have resulted in continuous growth of the market value of the real estate owned by *a/s Ventspils nafta*, thus ensuring *a/s Ventspils nafta* a stable return on investment, and hence, an additional income reserve.

The successful financial results of *a/s Ventspils nafta* Group reached after the year-end, for the first quarter of the year 2005, unequivocally demonstrate stability and profitability of *a/s Ventspils nafta*. The net turnover and profit of *a/s Ventspils nafta* Group for the first three months of 2005 substantially exceed the forecasted figures and the corresponding results for 2004. These results allow drawing a conclusion that the correct planning and active implementation of the plans would sooner or later be reflected in the financial results, and *a/s Ventspils nafta* may face the future with a reasonable hope.

According to the Republic of Latvia Law on Financial Statements of Companies, the profit for 2004 cannot be distributed in dividends, but instead should be transferred to restricted reserves. Accordingly, the management of *a/s Ventspils nafta* suggests to transfer profit for 2004 to restricted reserves.

19 May 2005

On behalf of the Board:

Olga Pētersone
Chairman of the Board

Income Statement

| | Group | | Parent company | |
|---|---------------|-----------------|----------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | EUR thousand | EUR thousand | EUR thousand | EUR thousand |
| Net sales | 79 583 | 78 750 | 1 933 | 25 855 |
| Cost of sales | (73 257) | (74 829) | (1 933) | (21 657) |
| Gross profit | 6 326 | 3 921 | - | 4 198 |
| Sales and distribution expense | (2 114) | (2 077) | - | - |
| General and administrative expense | (8 586) | (10 667) | (2 331) | (6 454) |
| Other operating income | 17 667 | 8 141 | 18 575 | 7 212 |
| Other operating expense | (7 297) | (10 063) | (4 030) | (3 276) |
| Result from operating activities | 5 996 | (10 745) | 12 214 | 1 680 |
| Gain/ (loss) in subsidiaries and associated entities, net | 18 238 | (74) | 14 161 | (10 579) |
| Financial income/ (expense), net | (613) | (2 459) | (44) | (515) |
| Result before taxes | 23 621 | (13 278) | 26 331 | (9 414) |
| Corporate income tax | 1 883 | (4 238) | 2 313 | (3 772) |
| Net result before minority interest | 25 504 | (17 516) | 28 644 | (13 186) |
| Minority interest | 1 826 | 4 085 | - | - |
| Net result for the year | 27 330 | (13 431) | 28 644 | (13 186) |
| Earnings per share | | | | |
| in EUR per share | 0,259 | (0,128) | 0,275 | (0,127) |
| Diluted earnings per share | | | | |
| in EUR per share | 0,259 | (0,128) | 0,275 | (0,127) |

EUR exchange rate of the Bank of Latvia on Dec 31.,2004 – 0.703 LVL

On behalf of the Board:

Olga Pētersone
 Chairman of the Board

Balance Sheet ASSETS

| | Group | | Parent company | |
|---|-----------------|----------------|-----------------|----------------|
| | 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 |
| | EUR thousand | EUR thousand | EUR thousand | EUR thousand |
| NON CURRENT ASSETS | | | | |
| Intangible assets | (16 868) | 53 350 | (68 602) | - |
| Property, plant and equipment | | | | |
| Land, buildings and networks | 166 485 | 157 192 | - | - |
| Machinery and equipment | 62 509 | 61 982 | 127 | 149 |
| Other property, plant and equipment | 8 701 | 10 898 | 838 | 1 055 |
| Construction in progress | 21 350 | 17 858 | 228 | 233 |
| Prepayments for property, plant and equipment | 3 525 | 5 694 | - | 1 |
| TOTAL | 262 570 | 253 624 | 1 193 | 1 438 |
| Investment properties | 3 670 | 3 716 | 8 181 | 8 347 |
| Investments | | | | |
| Investments in subsidiaries and associated entities | 131 489 | 230 | 394 458 | 231 065 |
| Long-term loan to related parties | - | - | 6 459 | 6 764 |
| Other long-term loans to corporate entities | 1 599 | 1 330 | - | - |
| TOTAL | 133 088 | 1 560 | 400 917 | 237 829 |
| TOTAL NON CURRENT ASSETS | 382 460 | 312 250 | 341 689 | 247 614 |
| CURRENT ASSETS | | | | |
| Inventories | 14 229 | 14 262 | 6 191 | 3 585 |
| Fixed assets for sale | - | - | - | 30 886 |
| Current portion of long-term receivables | 60 | 199 | - | - |
| Short-term loans to related parties | 3 343 | 8 155 | 385 | 1 119 |
| Trade accounts receivable | 8 970 | 9 357 | - | - |
| Accounts receivable from related party | - | - | 1 215 | 1 748 |
| Corporate income tax receivable | 27 | 2 366 | 24 | - |
| Other accounts receivable | 5 240 | 2 149 | 73 | 2 084 |
| Prepaid expense | 1 051 | 2 383 | 83 | 147 |
| Accrued income | 703 | 661 | - | - |
| Trading investments | 83 | 49 785 | 83 | 49 782 |
| Cash and cash equivalents | 10 471 | 11 849 | 112 | 654 |
| TOTAL CURRENT ASSETS | 44 177 | 101 166 | 8 164 | 90 008 |
| TOTAL ASSETS | 426 637 | 413 416 | 349 853 | 337 622 |

EUR exchange rate of the Bank of Latvia on Dec 31.,2004 – 0.703 LVL

On behalf of the Board:

 Olga Pētersone
 Chairman of the Board

Balance Sheet
LIABILITIES AND SHAREHOLDERS' EQUITY

| | Group | | Parent company | |
|---|----------------|----------------|----------------|----------------|
| | 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 |
| | EUR thousand | EUR thousand | EUR thousand | EUR thousand |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 148 619 | 148 619 | 148 619 | 148 619 |
| Share premium | 60 232 | 60 232 | 60 232 | 60 232 |
| Long-term assets revaluation reserve | - | - | 983 | 1 013 |
| Foreign currency translation reserve | (12 912) | - | (12 912) | - |
| Restricted reserves | 16 879 | 15 946 | 16 879 | 15 946 |
| Other reserves | 101 171 | 115 535 | 106 276 | 120 366 |
| Current year unappropriated result | 27 330 | (13 431) | 28 644 | (13 186) |
| TOTAL SHAREHOLDERS'EQUITY | 341 319 | 326 901 | 348 721 | 332 990 |
| MINORITY INTEREST | 62 607 | 64 464 | - | - |
| PROVISIONS | | | | |
| Other provisions | - | 114 | - | - |
| TOTAL PROVISIONS | - | 114 | - | - |
| LIABILITIES | | | | |
| Long-term liabilities | | | | |
| Deferred corporate income tax | 3 203 | 5 479 | 448 | 3 152 |
| Long-term portion of financial lease liability | 1 339 | 2 272 | 28 | - |
| Long-term loan from credit institution | - | 128 | - | - |
| TOTAL | 4 542 | 7 879 | 476 | 3 152 |
| Current liabilities | | | | |
| Short-term portion of long-term loan | 6 555 | 2 851 | - | - |
| Financial lease liabilities | 1 073 | 1 408 | - | - |
| Advances from customers | 68 | 186 | - | 53 |
| Trade accounts payable | 6 148 | 5 393 | 129 | 78 |
| Accounts payable to related party | - | 3 | 149 | 24 |
| Corporate income tax payable | - | 780 | - | 780 |
| Taxes payable | 782 | 757 | 135 | 270 |
| Other liabilities | 801 | 791 | 47 | 50 |
| Accrued liabilities | 2 101 | 1 539 | 196 | 226 |
| Deferred income | 642 | 351 | - | - |
| TOTAL | 18 170 | 14 059 | 656 | 1 481 |
| TOTAL LIABILITIES | 22 711 | 21 937 | 1 132 | 4 632 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 426 637 | 413 416 | 349 853 | 337 622 |

EUR exchange rate of the Bank of Latvia on Dec 31.,2004 – 0.703 LVL

On behalf of the Board:

 Olga Pētersone
 Chairman of the Board

Statement of Cash Flows

| | Group | | Parent company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2004 EUR thousand | 2003 EUR thousand | 2004 EUR thousand | 2003 EUR thousand |
| Cash flow from/ (to) operating activities | | | | |
| Result before taxes | 23 621 | (13 278) | 26 331 | (9 414) |
| Adjustments | | | | |
| (Profit)/ loss in subsidiaries and associated entities, net | (18 238) | - | (14 161) | 10 579 |
| (Increase)/ decrease in provisions | (114) | (7 610) | - | (5 213) |
| Negative goodwill | (7 622) | - | (7 622) | - |
| Adjustment to a/s Preses nams goodwill | - | - | - | (85) |
| Amortisation and depreciatoin | 18 239 | 25 065 | 2 711 | 10 999 |
| Interest income | (437) | (836) | (138) | (144) |
| Interest expense | 339 | 381 | 14 | 18 |
| (Gain)/ loss on disposals of tangible assets | (265) | 741 | (1 764) | 97 |
| Fair value adjustments | - | (65) | - | - |
| Gain from revaluation of oil and oil products | (3 633) | - | (3 131) | - |
| Other adjustments | - | 145 | 34 | - |
| Operating profit before changes in current assets and liabilities | 11 890 | 4 543 | 2 274 | 6 837 |
| Decrease in inventory | 3 666 | 6 933 | 525 | 1 225 |
| Decrease/ (increase) in trade accounts receivable | 385 | (761) | - | 3 501 |
| Decrease/ (increase) in other accounts receivable | 431 | 11 125 | (910) | (2 590) |
| Increase/ (decrease) in current liabilities | 713 | (620) | (939) | (4 115) |
| Net cash from/ (to) operating activities | 17 085 | 21 220 | 950 | 4 858 |
| Taxes paid | (420) | 260 | (415) | (3 119) |
| Net cash from/ (to) operating activities | 16 665 | 21 480 | 535 | 1 739 |
| Cash flow from/ (to) investment activities | | | | |
| Purchase of fixed assets | (25 915) | (31 223) | (111) | (3 388) |
| Income from proceeds from sale of fixed assets | 654 | - | 14 | 10 876 |
| (Increase) in investments | - | - | (1 260) | (12 688) |
| Interest received | 437 | 836 | 138 | 144 |
| Received repayment of short-term loan | 4 974 | 10 060 | - | - |
| Dividends (paid) | - | (1 485) | - | (1 485) |
| Net cash flow from/ (to) investment activities | (19 850) | (21 812) | (1 219) | (6 541) |
| Cash flow from/ (to) financing activities | | | | |
| Increase/ (decrease) in own shares | 128 | (43) | 128 | (43) |
| Borrowings (paid) | (2 688) | (3 339) | - | - |
| Borrowings received | 4 704 | 1 420 | 28 | - |
| Interest payments | (339) | (381) | (14) | (18) |
| Net cash from/ (to) investment activities | 1 805 | (2 343) | 142 | (61) |
| Net (decrease) in cash | (1 378) | (2 676) | (542) | (4 867) |
| Cash at the beginning of the year | 11 849 | 14 525 | 654 | 5 521 |
| Cash at the end of the year | 10 471 | 11 849 | 112 | 654 |

EUR exchange rate of the Bank of Latvia on Dec 31.,2004 – 0.703 LVL

Statement of Changes in Shareholders' Equity

Parent company (EUR thousand)

| | Share capital | Share premium | Long term assets revaluation reserve | Foreign currency translation reserve | Restricted reserves | Other reserves | Current year unappropriated result | Total |
|---------------------------------------|----------------|---------------|--------------------------------------|--------------------------------------|---------------------|----------------|------------------------------------|----------------|
| Balance as of 1 January 2003 | 148 619 | 60 232 | - | - | 13 377 | 120 538 | 3 882 | 346 648 |
| Transfer of 2002 net result | - | - | - | - | 2 569 | - | (2 569) | - |
| Distributed dividends | - | - | - | - | - | (172) | (1 313) | (1 485) |
| Long-term assets revaluation | - | - | 1 013 | - | - | - | - | 1 013 |
| Current year loss | - | - | - | - | - | - | (13 186) | (13 186) |
| Balance as of 31 December 2003 | 148 619 | 60 232 | 1 013 | - | 15 946 | 120 366 | (13 186) | 332 990 |
| Transfer of 2003 net result | - | - | - | - | 903 | (14 090) | 13 186 | - |
| Release of revaluation reserve | - | - | (30) | - | 30 | - | - | - |
| Foreign currency translation | - | - | - | (12 912) | - | - | - | (12 912) |
| Current year result | - | - | - | - | - | - | 28 644 | 28 644 |
| Balance as of 31 December 2004 | 148 619 | 60 232 | 983 | (12 912) | 16 879 | 106 276 | 28 644 | 348 720 |

During the restructuring process the new company SIA Ventspils nafta termināls was established. The investment in SIA Ventspils nafta termināls is comprised of cash and fixed assets. The fixed assets were invested at fair value in the amount of LVL 53,918 thousand. The value of the invested fixed assets exceeded the net book value for LVL 712 thousand, that consequently is represented as long term assets revaluation reserve.

Group(EUR thousand)

| | Share capital | Share premium | Foreign currency translation reserve | Restricted reserves | Other reserves | Previous years unappropriated result | Current year unappropriated result | Total |
|--|----------------|---------------|--------------------------------------|---------------------|----------------|--------------------------------------|------------------------------------|----------------|
| Balance as of 1 January 2003 | 148 619 | 60 232 | - | 13 377 | 120 538 | - | (949) | 341 817 |
| Transfer of 2002 net consolidated result | - | - | - | - | - | (949) | 949 | - |
| Transfer of 2002 net result of Parent | - | - | - | 2 569 | - | (2 569) | - | - |
| Distributed dividends by Parent | - | - | - | - | (172) | (1 313) | - | (1 485) |
| Current year consolidated profit | - | - | - | - | - | - | (13 431) | (13 431) |
| Balance as of 31 January 2003 | 148 619 | 60 232 | - | 15 946 | 120 366 | (4 831) | (13 431) | 326 901 |
| Transfer of 2003 net result | - | - | - | 903 | (14 090) | (245) | 13 431 | - |
| Release of revaluation reserve | - | - | - | 30 | - | (30) | - | - |
| Foreign currency translation | - | - | (12 912) | - | - | - | - | (12 912) |
| Current year consolidated profit | - | - | - | - | - | - | 27 330 | 27 330 |
| Balance as of 31 December 2004 | 148 619 | 60 232 | (12 912) | 16 879 | 106 276 | (5 106) | 27 330 | 341 319 |

Previous years unappropriated result is included in the Other reserves caption of the Balance sheet

EUR exchange rate of the Bank of Latvia on Dec 31.,2004 – 0.703 LVL