



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

REPORT FOR THE NINE MONTHS OF 2005

Ventspils, 2005

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General information

Name	AS 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 AS Ventspils nafta	SIA LatRosTrans (66%) 7 Balvu street, LV-5043, Daugavpils SIA Ventspils nafta termināls (100%) 75 Talsu street, LV-3600, Ventspils AS Preses nams (92.99%) 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	AS 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 Lejastiežumi (100%)
3 Balasta dambis, LV-1081, Rīga

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

Council of AS Ventspils nafta

Chairman of the Council:

Mamerts Vaivads

Deputy Chairman of the Council:

Vladimirs Solomatins

Romāns Mežeckis

Vladimirs Krastiņš

Members of the Council:

Jānis Blaževics

Kārlis Boldiševics

Mārtiņš Jansons

Aivars Tiesnesis

Dans Titavs

Ivars Pāže

Uldis Pumpurs

Board of AS Ventspils nafta

Members of the Board:

Olga Pētersone

Aldis Āķis

Ilva Purēna

Guntis Tīrmanis

Income Statement

	Group	
	9 months of 2005	9 months of 2004
	LVL thousand	LVL thousand
Net sales	63 814	40 257
Cost of sales	(56 858)	(35 688)
Gross profit	6 956	4 569
Sales and distribution expense	(1 203)	(1 099)
General and administrative expense	(4 784)	(5 382)
Other operating income/(expense), net	11 966	3 538
Result from operating activities	12 935	1 625
Gain/ (loss) in subsidiaries and associated entities, net	4 967	-
Non-operating expense	(40)	(157)
Financial income/ (expense), net	207	(41)
Result before taxes	18 070	1 428
Corporate income tax	(2 625)	(642)
Other taxes	(436)	(449)
Net result before minority interest	15 009	338
Minority interest	(572)	925
Net result for the year	14 437	1 263
Earnings per share		
in lats per share	0,138	0,012

On behalf of the Board:

Olga Pētersone
Chairman of the Board

Balance Sheet

ASSETS

	Group	
	30/09/2005	30/09/2004
	LVL thousand	LVL thousand
NON CURRENT ASSETS		
Intangible assets	35 612	34 666
Property, plant and equipment		
Land, buildings and networks	105 173	103 270
Investment properties	27 412	-
Machinery and equipment	62 088	49 783
Other property, plant and equipment	5 423	6 679
Construction in progress	9 517	27 021
Prepayments for property, plant and equipment	3 116	3 831
TOTAL	212 729	190 585
Investments		
Investments in subsidiaries and associated entities	97 411	-
Long-term loan to related parties	-	-
Other long-term loans to corporate entities	1 102	1 098
TOTAL	98 513	1 098
TOTAL NON CURRENT ASSETS	346 853	226 349
CURRENT ASSETS		
Inventories	10 254	12 067
Current portion of long-term receivables	42	-
Short-term loans to related parties	-	3 357
Trade accounts receivable	7 585	5 992
Accounts receivable from related party	5	9
Other accounts receivable	1 453	3 727
Prepaid expense	1 139	974
Accrued income	578	161
Trading investments	51	35 159
Cash and cash equivalents	13 799	7 057
TOTAL CURRENT ASSETS	34 906	68 503
TOTAL ASSETS	381 760	294 852

On behalf of the Board:

Olga Pētersone
 Chairman of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

	Group	
	30/09/2005	30/09/2004
	LVL thousand	LVL thousand
SHAREHOLDERS' EQUITY		
Share capital	104 479	104 479
Share premium	42 343	42 343
Long-term assets revaluation reserve	103	-
Foreign currency translation reserve	(9 077)	-
Restricted reserves	-	11 210
Other reserves	154 149	75 347
Current year unappropriated result	14 437	1 263
MINORITY INTEREST	41 921	44 678
TOTAL SHAREHOLDERS' EQUITY	348 355	279 319
PROVISIONS		
Other provisions	174	186
	14 801	4 095
TOTAL PROVISIONS	14 975	4 281
LIABILITIES		
Long-term liabilities		
Long-term portion of financial lease liability	2 999	1 687
TOTAL	2 999	1 687
Current liabilities		
Short-term portion of long-term loan	8 521	1 918
Advances from customers	193	263
Trade accounts payable	3 989	4 460
Accounts payable to related party	5	10
Taxes payable	410	365
Accrued liabilities	1 987	2 408
Deferred income	325	142
TOTAL	15 431	9 565
TOTAL LIABILITIES	18 430	11 252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	381 760	294 852

On behalf of the Board:

 Olga Pētersone
 Chairman of the Board

Statement of Cash Flows

	Group	
	9 months of 2005 LVL thousand	9 months of 2004 LVL thousand
Cash flow from/ (to) operating activities		
Net Result	14 437	1 263
Changes due to changed accounting standards	47 633	-
Amortisation and depreciatoin	8 566	9 113
Operating profit before changes in current assets and liabilities	70 636	10 376
Decrease in inventory	390	19 668
Decrease/ (increase) in trade accounts receivable	3 459	4 931
Increase/ (decrease) in provisions	10 694	1 711
Increase/ (decrease) in current liabilities	5 866	41
Net cash from/ (to) operating activities	91 045	36 727
Cash flow from/ (to) investment activities		
Purchase of fixed assets	(23 267)	(11 575)
(Increase)/ decrease in long-term financial investments	(97 414)	(22 435)
(Increase)/ decrease in trading investments	35 108	2
(Increase) in issued loans	(42)	(4 559)
Net cash flow from/ (to) investment activities	(85 616)	(38 567)
Cash flow from/ (to) financing activities		
Increase/ (decrease) in own shares	-	90
Lease payments received/(returned)	1 312	506
Net cash from/ (to) investment activities	1 312	596
Net (decrease) in cash	6 742	(1 244)
Cash at the beginning of the year	7 057	8 302
Cash at the end of the year	13 799	7 057

Statement of Changes in Shareholders' Equity

Group

	Share capital	Share premium	Long-term asset revaluation reserve	Foreign currency translation reserve	Restricted reserves	Other reserves	Current year unappropriated result	Minority interest	Total
Balance as of 31 December 2004	104 479	42 343	-	(9 077)	11 866	71 123	19 213	-	239 947
Transfer of 2004 net result	-	-	-	-	26 027	(6 814)	(19 213)	-	-
Long-term asset revaluation reserve	-	-	103	-	-	-	-	-	103
Correction of reserves	-	-	-	-	(37 893)	89 840	-	-	51 947
Current year consolidated profit	-	-	-	-	-	-	14 437	-	14 437
Minority interest	-	-	-	-	-	-	-	41 921	41 921
Balance as of 30 September 2005	104 479	42 343	103	(9 077)	-	154 149	14 437	41 921	348 355

Attachments (LVL thousand)

1. Net sales

	<u>Group</u>	
	<u>9 months of 2005</u>	<u>9 months of 2004</u>
Reloading services	13 098	12 945
Railway services	19 127	0
Printing services	13 489	12 874
Transportation of oil	6 604	5 079
Transportation of oil products	6 625	5 440
Rental income	1 163	598
Other services	3 707	3 322
Total	<u>63 814</u>	<u>40 257</u>

2. Cost of sales

	<u>Group</u>	
	<u>9 months of 2005</u>	<u>9 months of 2004</u>
Amortization and depreciation	-8 081	-7 882
Amortization of intangible assets	-748	-1 423
Raw materials	-8 466	-8 003
Remuneration of work	-6 481	-6 537
Utilities	-1 419	-288
Insurance expenses	-1 249	-1 880
Social security contributions	-1 470	-1 450
Materials and spare parts	-1 100	-266
Transit development	-940	-840
Electricity	-524	-454
Treatment of technological waste water	-315	-334
Utilisation of piers	-590	-626
Land and fixed assets' rent	-544	-526
Services received from other companies	-311	-385
Security	-691	-661
Repair works done by other companies	-169	-395
Railway charges	-20 466	-615
Environment protection expense	-726	-499
Work safety expense	-25	-24
Non-deductible VAT	0	-30
Communication expense	-219	-209
Helicopter services	-210	-198
Changes in inventory	-833	93
Processing work	-300	-235

Transport expenses	-186	-159
Acquisition of information	-59	-93
Detached duties	-55	-56
Other expenses	-679	-1 712
Total	<u>-56 858</u>	<u>-35 688</u>

3. Sales and distribution expense

Group

	<u>9 months of 2005</u>	<u>9 months of 2004</u>
Sales and distribution expense	<u>-1 203</u>	<u>-1 099</u>
Total	<u>-1 203</u>	<u>-1 099</u>

4. General and administrative expense

Group

	<u>9 months of 2005</u>	<u>9 months of 2004</u>
Remuneration of work	-1 696	-1 502
Advertising and marketing	-324	-466
Social security contributions	-3519	-366
Depreciation	-412	-1 961
Insurance	-128	-126
Professional charges and legal costs	-982	-314
Business trips	-72	-66
Communication expense	-55	-52
Rent of premises	-126	-3
Vehicle maintenance expense (incl. rent of vehicles)	-109	-89
Conferences, seminars and training	-34	-29
Security	-18	-17
Representation expense	-100	-82
Secondary costs of cash turnover	-133	-56
Social infrastructure expense	-48	0
Other	<u>-197</u>	<u>-253</u>
Total	<u>-4 784</u>	<u>-5 382</u>

5. Other operating income/ (expense), (net)	<u>Group</u>	
	<u>9 months of</u> <u>2005</u>	<u>9 months of</u> <u>2004</u>
Other income	12 895*	4 514
Release of allowance for doubtful and bad debt	1	0
Income from realised fixed assets	565	20 073
Income from realised current assets	0	1 291
Penalties received, net	2	2
Payments to local municipalities	-638	-730
Release of NBV of realised fixed assets	-8	-18 823
Income from realised current assets	0	-1 291
Depreciation	-61	-60
Remuneration of work	-165	-284
Social security contributions	-34	-65
Vehicle maintenance expense	-33	-52
Accruals	-325	0
Other expense	<u>-234</u>	<u>-1 039</u>
Total	<u>11 966</u>	<u>3 538</u>

* including income from reclassification of some company's property into the investment properties in accordance with the amendments of international financial reporting standards

6. Non-operation expense	<u>Group</u>	
	<u>9 months of</u> <u>2005</u>	<u>9 months of</u> <u>2004</u>
Sponsorships	-5	-143
Amortization of intangible assets	0	-2
Other expense	<u>-35</u>	<u>-11</u>
Total	<u>-40</u>	<u>-157</u>

7. Financial income/(expense), net	<u>Group</u>	
	<u>9 months of</u> <u>2005</u>	<u>9 months of</u> <u>2004</u>
Foreign currency exchange gain	1 576	519
Interest income on loans	25	171
Interest income from bank account balances and deposits	159	69

Foreign currency exchange loss	-1 284	-661
Interest expense	-285	-200
Other income	<u>17</u>	<u>63</u>
Total	<u>207</u>	<u>-41</u>

8. Taxes

Group

	<u>9 months of</u> <u>2005</u>	<u>9 months of</u> <u>2004</u>
Incorporate income tax	-2 625	-642
Real estate income	-436	-449

9. Investments in subsidiaries and associated entities

The following table summarizes ownership of the Parent company and the Group in subsidiaries and associated entities:

<u>Ownership (%)</u>	<u>30.09.2005.</u>	<u>30.09.2004.</u>	<u>Legal address</u>
<u>Subsidiaries</u>			
SIA "Ventspils nafta" termināls"	100	100	Talsu street 75, LV-3602, Ventspils, Latvia
SIA "LatRosTrans"	66	66	Balvu street 7, LV-5043, Daugavpils Latvia
AS "Preses nams"	92,99	92,92	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Mediju nams"	90,21	90,21	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Nekustamie īpašumi VN"	100	100	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Rīgas līcis VN"	100	100	Dubultu prospekts 51, LV-2015, Jurmala, Latvia
<u>Associated entities</u>			
SIA "Futbola klubs Ventspils"	30	30	Dzintaru street 20a, LV-3602, Ventspils, Latvia
SIA "Mediji un Poligrāfija"	32,7	32,7	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Ventshoes"	21,44	21,44	Mičurina street 6, LV-3601, Ventspils, Latvia
AS "Latvijas Kuģniecība"	49,94	49,94	Basteja bulvāris 2, LV 1807, Riga, Latvia