



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

REPORT FOR THE FIRST QUARTER OF 2006

Ventspils, 2006

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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 Lejastiezumi (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	
	1st quarter of 2006	1st quarter of 2005
	LVL thousand	LVL thousand
Net sales	19 861	21 527
Cost of sales	(16 458)	(18 978)
Gross profit	3 403	2 549
Sales and distribution expense	(452)	(357)
General and administrative expense	(1 515)	(1 429)
Other operating income/(expense), net	(189)	241
Result from operating activities	1 247	1 003
Gain/ (loss) in subsidiaries and associated entities, net	3 052	3 361
Non-operating expense	(31)	(101)
Financial income/ (expense), net	(87)	76
Result before taxes	4 181	4 340
Corporate income tax	(458)	(28)
Other taxes	-	(135)
Net result before minority interest	3 723	4 176
Minority interest	(365)	(187)
Net result for the year	3 358	3 989
Earnings per share		
in lats per share	0,032	0,038

On behalf of the Board:

Olga Pētersone
 Chairman of the Board

Balance Sheet

ASSETS

	Group		Reference
	31/03/2006	31/12/2005	31/03/2005
	LVL thousand	LVL thousand	LVL thousand
NON CURRENT ASSETS			
Intangible assets	29 991	30 161	-12 145
Property, plant and equipment			
Land, buildings and networks	76 032	83 104	108 547
Investment properties	26 608	26 609	0
Machinery and equipment	56 694	50 878	55 729
Other property, plant and equipment	4 573	4 847	5 783
Construction in progress	8 857	7 885	16 021
Prepayments for property, plant and equipment	5 645	3 938	845
TOTAL	178 409	177 261	186 925
Investments			
Investments in subsidiaries and associated entities	116 744	113 888	95 797
Long-term loan to related parties	-	-	
Other long-term loans to corporate entities	1 073	1 092	1 109
TOTAL	117 817	114 980	96 906
TOTAL NON CURRENT ASSETS	326 217	322 402	271 685
CURRENT ASSETS			
Inventories	8 394	8 234	9 777
Current portion of long-term receivables	42	42	2 515
Short-term loans to related parties	-	-	
Trade accounts receivable	7 289	7 813	8 733
Accounts receivable from related party	-	-	44
Other accounts receivable	2 846	1 674	3 096
Prepaid expense	1 417	621	1 247
Accrued income	369	694	494
Trading investments	51	51	51
Cash and cash equivalents	14 687	16 080	7 963
TOTAL CURRENT ASSETS	35 095	35 209	33 919
TOTAL ASSETS	361 312	357 611	305 604

On behalf of the Board:

Olga Pētersone
 Chairman of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

	Group		Reference
	31/03/2006	31/12/2005	31/03/2005
	LVL thousand	LVL thousand	LVL thousand
SHAREHOLDERS' EQUITY			
Share capital	104 479	104 479	104 479
Share premium	42 343	42 343	42 343
Long-term assets revaluation reserve	-	-	-
Foreign currency translation reserve	4 732	4 732	(9 078)
Restricted reserves	715	715	11 866
Other reserves	150 665	150 665	71 123
Previous year unappropriated result	(21 725)	-	19 213
Current year unappropriated result	3 358	(21 725)	3 989
MINORITY INTEREST	42 372	41 948	44 194
TOTAL SHAREHOLDERS'EQUITY	326 939	323 157	288 129
PROVISIONS			
Other provisions	49	-	413
Deferred corporate income tax	15 313	14 855	2 279
TOTAL PROVISIONS	15 362	14 855	2 692
LIABILITIES			
Long-term liabilities			
Long-term portion of financial lease liability	7 269	7 912	921
TOTAL	7 269	7 912	921
Current liabilities			
Short-term portion of long-term loan	4 590	3 178	6 574
Advances from customers	259	375	111
Trade accounts payable	3 703	4 921	4 379
Accounts payable to related party	-	-	73
Taxes payable	620	448	703
Accrued liabilities	1 975	2 491	1 715
Deferred income	596	274	307
TOTAL	11 743	11 687	13 862
TOTAL LIABILITIES	19 012	19 599	14 783
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	361 312	357 611	305 604

On behalf of the Board:

Olga Pētersone
Chairman of the Board

Statement of Cash Flows

	Group	
	1st quarter of 2006	1st quarter of 2005
	LVL thousand	LVL thousand
Cash flow from/ (to) operating activities		
Net Result	3 358	3 989
Changes due to changed accounting standards	390	-
Amortisation and depreciaton	2 579	3 704
Operating profit before changes in current assets and liabilities	6 328	7 693
Decrease in inventory	(160)	226
Decrease/ (increase) in trade accounts receivable	(1 161)	(2 373)
Increase/ (decrease) in provisions	507	441
Increase/ (decrease) in current liabilities	56	1 089
Net cash from/ (to) operating activities	5 570	7 076
Cash flow from/ (to) investment activities		
Purchase of fixed assets	(3 483)	(2 992)
(Increase)/ decrease in long-term financial investments	(2 837)	(3 345)
(Increase)/ decrease in trading investments	-	7
(Increase) in issued loans	-	(123)
Net cash flow from/ (to) investment activities	(6 320)	(6 453)
Cash flow from/ (to) financing activities		
Increase/ (decrease) in own shares	-	-
Lease payments received/(returned)	(643)	(20)
Net cash from/ (to) investment activities	(643)	(20)
Net (decrease) in cash	(1 393)	604
Cash at the beginning of the year	16 080	7 359
Cash at the end of the year	14 687	7 963

Statement of Changes in Shareholders' Equity

Group

	Share capital	Share premium	Foreign currency translation reserve	Restricted reserves	Other reserves	Current year unappro- priated result	Minority interest	Total
Balance as of 31 December 2005	104 479	42 343	4 732	715	150 665	(21 725)	41 948	323 157
Current year consolidated profit	-	-	-	-	-	3 358	-	3 358
Minority interest	-	-	-	-	-	-	424	424
Balance as of 31 March 2006	104 479	42 343	4 732	715	150 665	(18 367)	42 372	326 939

Attachments (LVL thousand)

1. Net sales

	<u>Group</u>	
	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Reloading services	4 362	4 842
Railway services	4 962	7 855
Printing services	4 700	4 264
Transportation of oil	2 221	1 590
Transportation of oil products	2 701	2 145
Rental income	43	121
Other services	873	709
Total	<u>19 861</u>	<u>21 527</u>

2. Cost of sales

	<u>Group</u>	
	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Amortization and depreciation	-2 219	-2 684
Amortization of intangible assets	-198	-249
Raw materials	-3 091	-2 373
Remuneration of work	-2 137	-2 097
Utilities	-501	-530
Insurance expenses	-560	-286
Social security contributions	-484	-471
Materials and spare parts	-272	-282
Transit development	-326	-248
Electricity	-225	-185
Treatment of technological waste water	-75	-75
Utilisation of piers	-203	-213
Land and fixed assets' rent	-189	-176
Services received from other companies	-177	-129
Security	-214	-216
Repair works done by other companies	-7	-18
Railway charges	-5 140	-8 371
Environment protection expense	-82	-80
Work safety expense	-9	-8
Communication expense	-56	-53
Helicopter services	-52	-52
Changes in inventory	37	90
Transport expenses	-43	-50
Other expenses	-235	-220
Total	<u>-16 458</u>	<u>-18 978</u>

3. Sales and distribution expense

Group

	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Sales and distribution expense	-452	-357
Total	<u>-452</u>	<u>-357</u>

4. General and administrative expense

Group

	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Remuneration of work	-544	-514
Advertising and marketing	-180	-132
Social security contributions	-131	-116
Depreciation	-144	-140
Insurance	-41	-41
Professional charges and legal costs	-83	-225
Business trips	-22	-16
Communication expense	-30	-22
Rent of premises	-29	-17
Vehicle maintenance expense (incl. rent of vehicles)	-28	-31
Conferences, seminars and training	-13	-13
Security	-5	-6
Representation expense	-37	-37
Secondary costs of cash turnover	-12	-61
Social infrastructure expense	-33	0
Other	<u>-182</u>	<u>-57</u>
Total	<u>-1 515</u>	<u>-1 429</u>

5. Other operating income/ (expense), (net)	<u>Group</u>	
	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Other income	199	444
Release of allowance for doubtful and bad debt	1	1
Income from realised fixed assets	0	15
Income from realised current assets	0	519
Penalties received, net	1	0
Payments to local municipalities	-175	-194
Depreciation	-18	-20
Remuneration of work	-52	-59
Social security contributions	-10	-12
Vehicle maintenance expense	-11	-14
Accruals	-49	-393
Other expense	<u>-75</u>	<u>-47</u>
Total	<u>-189</u>	<u>241</u>

6. Non-operation expense	<u>Group</u>	
	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Sponsorships	-2	-37
Amortization of intangible assets	0	-36
Other expense	<u>-29</u>	<u>-28</u>
Total	<u>-31</u>	<u>-101</u>

7. Financial income/(expense), net	<u>Group</u>	
	<u>1st quarter of 2006</u>	<u>1st quarter of 2005</u>
Foreign currency exchange gain	433	610
Interest income on loans	1	27
Interest income from bank account balances and deposits	139	29
Foreign currency exchange loss	-530	-517
Interest expense	-147	-80
Other income	<u>17</u>	<u>7</u>
Total	<u>-87</u>	<u>76</u>

8. Taxes

	<u>Group</u>	
	<u>1st quarter of</u> <u>2006</u>	<u>1st quarter of</u> <u>2005</u>
Incorporate income tax	-458	-28
Real estate income	-	-135

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>31.03.2006.</u>	<u>31.12.2005.</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	92,99	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 Icis 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