



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS OF 2006

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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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 Boldiševis

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 2006	9 months of 2005
	LVL thousand	LVL thousand
Net sales	52 494	63 814
Cost of sales	(45 873)	(56 858)
Gross profit	6 621	6 956
Sales and distribution expense	(1 362)	(1 203)
General and administrative expense	(4 866)	(4 784)
Other operating income/(expense), net	237	11 966
Result from operating activities	630	12 935
Gain/ (loss) in subsidiaries and associated entities, net	7 030	4 968
Non-operating expense	(45)	(40)
Financial income/ (expense), net	(781)	207
Result before taxes	6 834	18 070
Corporate income tax	(1 077)	(2 625)
Other taxes	-	(436)
Net result before minority interest	5 757	15 009
Minority interest	(466)	(572)
Net result for the year	5 291	14 437
Earnings per share		
in lats per share	0,051	0,138

On behalf of the Board:

Olga Pētersone
 Chairman of the Board

Balance Sheet

ASSETS

	Group		Reference
	30/09/2006	31/12/2005	30/09/2005
	LVL thousand	LVL thousand	LVL thousand
NON CURRENT ASSETS			
Intangible assets	29 595	30 161	35 612
Property, plant and equipment			
Land, buildings and networks	74 770	83 104	105 173
Investment properties	26 757	26 609	27 412
Machinery and equipment	54 626	50 878	62 088
Other property, plant and equipment	4 734	4 847	5 423
Construction in progress	11 764	7 885	9 517
Prepayments for property, plant and equipment	4 407	3 938	3 116
TOTAL	177 058	177 261	212 729
Investments			
Investments in subsidiaries and associated entities	120 917	113 888	97 411
Long-term loan to related parties	-	-	-
Other long-term loans to corporate entities	1 064	1 092	1 102
TOTAL	121 981	114 980	98 513
TOTAL NON CURRENT ASSETS	328 635	322 402	346 854
CURRENT ASSETS			
Inventories	9 094	8 234	10 254
Current portion of long-term receivables	42	42	42
Short-term loans to related parties	-	-	-
Trade accounts receivable	5 691	7 813	7 585
Accounts receivable from related party	-	-	5
Other accounts receivable	1 611	1 674	1 453
Prepaid expense	1 179	621	1 139
Accrued income	468	694	578
Trading investments	51	51	51
Cash and cash equivalents	17 006	16 080	13 799
TOTAL CURRENT ASSETS	35 142	35 209	34 906
TOTAL ASSETS	363 777	357 611	381 760

On behalf of the Board:

Olga Pētersone
Chairman of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

	Group		Reference
	30/09/2006	31/12/2005	30/09/2005
	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	-	-	103
Foreign currency translation reserve	4 732	4 732	(9 077)
Restricted reserves	715	715	-
Other reserves	150 665	150 665	154 149
Previous year unappropriated result	(21 725)	-	-
Current year unappropriated result	5 291	(21 725)	14 437
MINORITY INTEREST	42 414	41 948	41 921
TOTAL SHAREHOLDERS'EQUITY	328 914	323 157	348 355
PROVISIONS			
Other provisions	-	-	174
Deferred corporate income tax	15 932	14 855	14 801
TOTAL PROVISIONS	15 932	14 855	14 975
LIABILITIES			
Long-term liabilities			
Long-term portion of financial lease liability	5 990	7 912	2 999
TOTAL	5 990	7 912	2 999
Current liabilities			
Short-term portion of long-term loan	5 404	3 178	8 521
Advances from customers	518	375	193
Trade accounts payable	4 380	4 921	3 989
Accounts payable to related party	-	-	5
Taxes payable	475	448	410
Accrued liabilities	1 902	2 491	1 987
Deferred income	262	274	326
TOTAL	12 941	11 687	15 431
TOTAL LIABILITIES	18 931	19 599	18 430
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	363 777	357 611	381 760

On behalf of the Board:

Olga Pētersone
Chairman of the Board

Statement of Cash Flows

	Group	
	9 months of 2006 LVL thousand	9 months of 2005 LVL thousand
Cash flow from/ (to) operating activities		
Net Result	5 291	14 437
Changes due to changed accounting standards	-	47 633
Amortisation and depreciaton	7 802	8 566
Operating profit before changes in current assets and liabilities	13 093	70 636
Decrease in inventory	(860)	390
Decrease/ (increase) in trade accounts receivable	1 811	3 459
Increase/ (decrease) in provisions	1 077	10 694
Increase/ (decrease) in current liabilities	1 254	5 866
Net cash from/ (to) operating activities	16 375	91 045
Cash flow from/ (to) investment activities		
Purchase of fixed assets	(6 525)	(23 267)
(Increase)/ decrease in long-term financial investments	(7 001)	(97 414)
(Increase)/ decrease in trading investments	-	35 108
(Increase) in issued loans	-	(42)
Net cash flow from/ (to) investment activities	(13 526)	(85 615)
Cash flow from/ (to) financing activities		
Increase/ (decrease) in own shares	-	-
Lease payments received/(returned)	(1 922)	1 312
Net cash from/ (to) investment activities	(1 922)	1 312
Net (decrease) in cash	926	6 742
Cash at the beginning of the year	16 080	7 057
Cash at the end of the year	17 006	13 799

Statement of Changes in Shareholders' Equity

Group

	Share capital	Share premium	Long term assets revaluation reserve	Foreign currency translation reserve	Restricted reserves	Other reserves	Current year unappropriated result	Minority interest	Total
Balance as of 30 September 2005	104 479	42 343	103	(9 077)	-	154 149	14 437	41 921	348 355
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	-	-	-	-	-	-	5 291	-	5 291
Minority interest	-	-	-	-	-	-	-	466	466
Balance as of 30 September 2006	104 479	42 343	-	4 732	715	150 665	(16 434)	42 414	328 914

Attachments (LVL thousand)

1. Net sales

	<u>Group</u>	
	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Reloading services	8 588	13 098
Railway services	11 515	19 127
Printing services	12 737	13 489
Storage services	2 658	
Transportation of oil	5 837	6 604
Transportation of oil products	8 351	6 625
Rental income	370	1 163
Other services	2 438	3 708
Total	<u>52 494</u>	<u>63 814</u>

2. Cost of sales

	<u>Group</u>	
	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Amortization and depreciation	-6 704	-8 081
Amortization of intangible assets	-594	-748
Raw materials	-8 211	-8 466
Remuneration of work	-6 438	-6 481
Utilities	-946	-1 419
Insurance expenses	-1 676	-1 249
Social security contributions	-1 424	-1 470
Materials and spare parts	-859	-1 100
Transit development	-893	-940
Electricity	-718	-524
Treatment of technological waste water	-264	-315
Utilisation of piers	-605	-590
Land and fixed assets' rent	-569	-544
Services received from other companies	-745	-311
Security	-679	-691
Repair works done by other companies	-230	-169
Railway charges	-11 865	-20 466
Environment protection expense	-381	-726
Work safety expense	-34	-25
Communication expense	-129	-219
Helicopter services	-210	-210
Changes in inventory	81	-833
Transport expenses	-167	-186
Other expenses	-1 612	-1 095
Total	<u>-45 873</u>	<u>-56 858</u>

3. Sales and distribution expense

Group

	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Sales and distribution expense	-1 362	-1 203
Total	<u>-1 362</u>	<u>-1 203</u>

4. General and administrative expense

Group

	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Remuneration of work	-1 873	-1 696
Advertising and marketing	-435	-324
Social security contributions	-387	-351
Depreciation	-437	-412
Insurance	-125	-128
Professional charges and legal costs	-325	-982
Business trips	-78	-72
Communication expense	-67	-55
Rent of premises	-147	-126
Vehicle maintenance expense (incl. rent of vehicles)	-113	-109
Conferences, seminars and training	-33	-34
Security	-18	-18
Representation expense	-84	-100
Secondary costs of cash turnover	-57	-133
Social infrastructure expense	-63	-48
Other	<u>-625</u>	<u>-196</u>
Total	<u>-4 866</u>	<u>-4 784</u>

5. Other operating income/ (expense), (net)	<u>Group</u>	
	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Other income	1 498	12 897
Release of allowance for doubtful and bad debt	2	1
Income from realised fixed assets	7	565
Payments to local municipalities	-675	-638
Depreciation	-53	-61
Remuneration of work	-210	-165
Social security contributions	-34	-34
Vehicle maintenance expense	-33	-33
Accruals	-1	-325
Other expense	<u>-264</u>	<u>-241</u>
Total	<u>237</u>	<u>11 966</u>

6. Non-operation expense	<u>Group</u>	
	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Sponsorships	-7	-5
Other expense	<u>-38</u>	<u>-35</u>
Total	<u>-45</u>	<u>-40</u>

7. Financial income/(expense), net	<u>Group</u>	
	<u>9 months of 2006</u>	<u>9 months of 2005</u>
Foreign currency exchange gain	1 478	1 576
Interest income on loans		25
Interest income from bank account balances and deposits	322	159
Foreign currency exchange loss	-2 082	-1 284
Interest expense	-570	-285
Other income	<u>71</u>	<u>16</u>
Total	<u>-781</u>	<u>207</u>

8. Taxes

Group

	<u>6 months of</u> <u>2006</u>	<u>6 months of</u> <u>2005</u>
Incorporate income tax	-1 077	-2 625
Real estate income	-	-436

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>30.09.2006.</u>	<u>30.09.2005.</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