



JSC VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONSOLIDATED FINANCIAL REPORT
FOR THE FIRST QUARTER OF 2010**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Riga, 2010

CONTENTS

General information	3
Supervisory Council JSC <i>Ventspils nafta</i>	4
Management Board of JSC <i>Ventspils nafta</i>	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of cash flows	8
Consolidated statement of changes in equity	9
Notes	10

General information

Name of the company	JSC Ventspils nafta
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004
Legal address	Vaļņu street 3-18, LV-1050, Riga, Republic of Latvia
Subsidiaries of JSC Ventspils nafta	LatRosTrans Ltd. (66%) 7 Balvu street, LV-5043, Daugavpils Ventspils nafta termināls Ltd. (51%) 75 Talsu street, LV-3602, Ventspils
Associated entities of the Group	Latvijas kuģniecība JSC (49.94%) Elizabetes iela 1, LV-1807, Riga, Latvia Futbola klubs Ventspils Ltd. (21.25%) 20a Dzintaru iela, LV-3602, Ventspils

Supervisory Council JSC *Ventspils nafta*

Appointed:

Chairman of the Council:	Vladimir Egger
Deputy Chairman of the Council:	Paul Thomas Oļegs Stepanovs Mikhail Dvorak
Members of the Council:	Javed Ahmed Rubil Yilmaz Mark Ware Gatis Grāvītis Mārtiņš Kvēps Valērijs Godunovs Aleksejs Ovods

Management Board of JSC *Ventspils nafta*

Appointed:

Chairman of the Board:	Simon Boddy
Members of the Board:	Ilva Purēna Boris Bednov Alexander Yagdzhiyants

The changes in the Board during the period from 31 March 2010 to 31 May 2010 were as follows:

Elected	Dismissed	Name	Position held
28/04/2010	-	Boris Bednov	Member of the Board
28/04/2010	-	Alexander Yagdzhiyants	Member of the Board
-	28/04/2010	Normunds Staņēvičs	Member of the Board

Consolidated statement of comprehensive income

	Group	
	1st quarter of 2010	1st quarter of 2009
	LVL thousand	LVL thousand
Revenue	14 632	20 502
Cost of sales	(10 958)	(17 515)
Gross profit	3 674	2 987
General and administrative expense	(770)	(1 279)
Other operating income	113	45
Other operating expense	(3 300)	(4 435)
Share of profit/ (loss) in associate	(2 751)	2 004
Financial income	3 470	4 956
Profit before tax	436	4 278
Corporate income tax	(100)	(108)
Net profit for the period	336	4 170
Other comprehensive income		
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period, net of tax	336	4 170
Attributable to:		
Non-controlling interest	1 444	1 125
Parent company's shareholders	(1 108)	3 045
	336	4 170
Earnings per share (Lats per share) attributable to the Parent company's shareholders:		
Diluted and basic earnings per share	(0,011)	0,029

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Consolidated statement of financial position

	31.03.2010	31.12.2009	Reference
	LVL thousand	LVL thousand	31.03.2009 LVL thousand
Assets			
Non-current asset			
Intangible assets	26 613	26 810	27 401
Property, plant and equipment	130 191	131 122	124 349
Investments in associated entities	118 320	121 071	136 167
Loan note	46 890	44 010	89 437
Other non-current financial assets	262	281	298
Total non-current assets	322 276	323 294	377 652
Current assets			
Inventories	1 605	2 153	2 364
Trade accounts receivable	58	2 641	2 964
Receivables from related companies	29 289	28 003	762
Loans to related companies	-	-	547
Other receivables	2 023	2 441	1 746
Other financial assets	457	-	-
Cash and cash equivalents	29 159	23 961	60 750
Total current assets	62 591	59 199	69 133
Total assets	384 867	382 493	446 785

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Consolidated statement of financial position (cont'd)

	31.03.2010	31.12.2009	Reference
	LVL thousand	LVL thousand	31.03.2009
			LVL thousand
Equity and liabilities			
Equity			
Issued capital	104 479	104 479	104 479
Share premium	42 343	42 343	42 343
Legal reserve	715	715	715
Reserves resulting from investment in associates	(16 591)	(16 591)	(15 786)
Other reserves	170 845	174 104	215 972
Profit/ (loss) for the period	(1 108)	(3 259)	3 045
Equity attributable to equity holders of the parent	300 683	301 791	350 768
Non-controlling interest	75 858	74 414	74 263
Total equity	376 541	376 205	425 031
Non-current liabilities			
Deferred corporate income tax liability	1 651	1 582	1 359
Deferred income	822	-	8 606
	2 473	1 582	9 965
Current liabilities			
Advances from customers	74	74	74
Trade accounts payable	895	1 893	1 525
Payables to related companies	1	62	25
Taxes payable	302	321	5 340
Other liabilities	4 120	2 110	4 431
Deferred income	91	-	-
Provisions	370	246	394
	5 853	4 706	11 789
Total liabilities	8 326	6 288	21 754
Total liabilities and equity	384 867	382 493	446 785

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of cash flows

	Group	
	1st quarter of 2010 LVL thousand	1st quarter of 2009 LVL thousand
Operating activities		
Net result	436	4 278
Non-cash adjustments to reconcile (loss)/ profit before tax to net cash flows		
Accruals for financial market fluctuations	2 880	4 000
Amortisation and depreciation	2 279	2 321
Interest income	(471)	(1 444)
Share of net profit of associate	2 751	(1 986)
Foreign exchange loss/ (gain)	(2 880)	(3 390)
Loss/ (gain) on disposal of property, plant and equipment	10	3
	5 005	3 782
Working capital adjustments:		
Decrease/ (increase) in inventories	445	64
Decrease/ (increase) in trade accounts receivable and receivables from related parties	1 596	1 741
Increase/ (decrease) in liabilities	(1 196)	(3 269)
	5 850	2 318
Corporate income tax paid	-	(56)
Net cash flows from operating activities	5 850	2 262
Investing activities		
Purchase of intangibles and property, plant and equipment	(1 162)	(470)
Proceeds from sale of property, plant and equipment and investment properties	-	4 178
Proceeds from disposal of investment	-	43
Proceeds from sale of subsidiaries	-	18 200
Interest received	504	781
Net cash flows from investing activities	(658)	22 732
Financing activities		
Net cash flows from financing activities	-	-
Net increase in cash and cash equivalents	5 192	24 994
Cash and cash equivalents at the beginning of the period	23 967	35 756
Cash and cash equivalents at the end of the period	29 159	60 750

Consolidated statement of changes in equity**Group**

	Attributable to the equity holders of the parent							Non-controlling interest	Total shareholders' equity
	Share capital	Share premium	Legal reserve	Reserves resulting from investment in associates	Other reserves	Total			
	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand		
Balance as of 31 December 2009	104 479	42 343	715	(16 591)	170 845	301 791	74 414	376 205	
Profit for the period	-	-	-	-	(1 108)	(1 108)	1 444	336	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	(1 108)	(1 108)	1 444	336	
Balance as of 31 March 2010	104 479	42 343	715	(16 591)	169 737	300 683	75 858	376 541	

Notes

1. Net revenues

	<u>Group</u>	
	1 st quarter of 2010 LVL thousand	1 st quarter of 2009 LVL thousand
Reloading of crude oil and oil products	7 409	7 329
Railway services	4 513	10 603
Transportation of oil products	2 710	2 570
TOTAL:	14 632	20 502

2. Cost of sales

	<u>Group</u>	
	1 st quarter of 2010 LVL thousand	1 st quarter of 2009 LVL thousand
Railway charges	4 513	10 609
Amortization and depreciation	2 233	2 257
Remuneration for work	1 211	1 298
Utilities	434	417
Utilization of piers	407	635
Electricity	338	378
Social security contributions	292	316
Repair works done by other companies	240	296
Security	209	303
Land rent	200	200
Raw materials	192	142
Insurance expenses	180	337
Treatment of technological waste water	89	72
Environment protection expense	80	43
Real estate tax	36	29
Other	304	183
TOTAL:	10 958	17 515

3. General and administrative expense

	Group	
	1st quarter of 2010	1st quarter of 2009
	LVL thousand	LVL thousand
Remuneration for work	353	575
Social security contributions	85	138
Professional charges and legal costs	63	115
Advertising and marketing expense	53	79
Vehicle maintenance expense	39	33
Amortization and depreciation	34	50
Other personnel expense	19	22
Rent of premises	12	41
Communication expense	11	9
Bank charges	11	14
Insurance fees	4	17
Other administrative expense	86	186
TOTAL:	770	1 279

4. Other operating income

	Group	
	1st quarter of 2010	1st quarter of 2009
	LVL thousand	LVL thousand
Income from oil extracted from groundwater and waste waters	69	-
Other income	44	45
TOTAL:	113	45

5. Other operating expense

	Group	
	1st quarter of 2010	1st quarter of 2009
	LVL thousand	LVL thousand
Payments to local municipality	265	263
Personnel expenses	46	46
Amortization and depreciation	12	13
Accruals for financial market fluctuations	2 880	4 000
Other expenses	97	113
TOTAL:	3 300	4 435

6. Financial income

	Group	
	1st quarter of 2010	1st quarter of 2009
	LVL thousand	LVL thousand
Interest income	376	1 112
Interest income from bank account balances and deposits	140	236
Foreign currency exchange profit, net	2 954	3 608
TOTAL:	3 470	4 956

7. 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>31.03.2010.</u>	<u>31.12.2009.</u>	<u>Legal address</u>
<u>Subsidiaries</u>			
“Ventspils nafta” termināls” Ltd.	51	51	Talsu street 75, LV-3602, Ventspils, Latvia
“LatRosTrans” Ltd.	66	66	Balvu street 7, LV-5043, Daugavpils Latvia
	<u>31.03.2010.</u>	<u>31.12.2009.</u>	
<u>Associated entities</u>			
“Futbola klubs Ventspils” Ltd.	21,25	21,25	Dzintaru street 20a, LV-3602, Ventspils, Latvia
JSC “Latvijas Kuģniecība”	49,94	49,94	Elizabetes iela 1, LV-1807, Riga, Latvia