



JSC VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONSOLIDATED FINANCIAL REPORT
FOR THE FIRST QUARTER OF 2011**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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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	JSC Latvian Shipping Company (49.94%) Elizabetes street 1, LV-1807, Riga, Latvia Futbola klubs Ventspils Ltd (21.25%) 20a Dzintaru street, LV-3602, Ventspils

Supervisory Council of JSC *Ventspils nafta*

Supervisory Council (as at the date of signing the financial statements):

Appointed:

Chairman of the Council:	Vladimir Egger
Deputy Chairman of the Council:	Mikhail Dvorak
Members of the Council:	Javed Ahmed Oļegs Stepanovs Rubel Yilmaz Mark Ware Christophe Theophanis Matsacos Rudolf Meroni Michael Hason David Alexander Schlaff Edgars Jansons

There were no changes in the Supervisory Council during the 1st quarter of 2011.

Management Board of JSC *Ventspils nafta*

Management Board (as at the date of signing the financial statements):

Appointed:

Chairman of the Board:	Simon Boddy
Members of the Board:	Boris Bednov Aleksej Tarasov

There were no changes in the Management Board during the 1st quarter of 2011.

Consolidated statement of comprehensive income

	Notes	1st quarter of 2011 LVL thousand	1st quarter of 2010 LVL thousand
Revenue	1	16 735	14 632
Cost of sales	2	(13 671)	(10 958)
Gross profit		3 064	3 674
General and administrative expense	3	(935)	(770)
Other operating income	4	193	113
Other operating expense	5	(254)	(3 300)
Share of (loss)/ profit in associate		(621)	(2 751)
Financial income	6	393	3 470
Profit before tax		1 840	436
Corporate income tax		(119)	(100)
Net profit for the period		1 721	336
Attributable to:			
Non-controlling interest		1 117	1 444
Parent company's shareholders		604	(1 108)
		1 721	336
Other comprehensive (loss)/ income			
Cash flow hedge reserve from investment in associate		246	-
Foreign currency translation resulting from investment in associate		(5 603)	-
Other comprehensive (loss)/ income for the period, net of tax		(5 357)	-
Total comprehensive (loss)/ income for the period, net of tax		(3 636)	336
Attributable to:			
Non-controlling interest		1 117	1 444
Parent company's shareholders		(4 753)	(1 108)
		(3 636)	336
Earnings/ (loss) per share (Lats per share)			
attributable to the Parent company's shareholders:			
Diluted and basic earnings/ (loss) per share		0,006	(0,011)

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Consolidated statement of financial position

	31.03.2011	31.12.2010	31.03.2010
	LVL thousand	LVL thousand	LVL thousand
Assets			
Non-current asset			
Intangible assets	25 824	26 020	26 613
Property, plant and equipment	126 581	128 263	130 191
Investments in associated entities	76 126	82 102	118 320
Loan note	47 759	47 759	46 890
Other non-current receivables	25 659	25 659	-
Other non-current financial assets	233	251	262
Total non-current assets	302 182	310 054	322 276
Current assets			
Inventories	1 811	1 808	1 605
Trade accounts receivable	3 034	62	58
Receivables from related companies	77	877	29 289
Other receivables	3 074	2 685	2 023
Short term deposits	4 273	20 908	-
Other financial assets	-	-	457
Cash and cash equivalents	33 272	14 155	29 159
Total current assets	45 541	40 495	62 591
Total assets	347 723	350 549	384 867

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of financial position (cont'd)

	31.03.2011	31.12.2010	31.03.2010
	LVL thousand	LVL thousand	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	(12 555)	(7 198)	(16 591)
Other reserves	126 292	155 748	170 845
Profit/ (Loss) for the period	604	(29 456)	(1 108)
Equity attributable to equity holders of the parent	261 878	266 631	300 683
Non-controlling interest	76 079	74 962	75 858
Total equity	337 957	341 593	376 541
Non-current liabilities			
Deferred corporate income tax liability	1 633	1 595	1 651
Deferred income	2 215	1 737	822
	3 848	3 332	2 473
Current liabilities			
Advances from customers	74	74	74
Trade accounts payable	1 666	1 395	895
Payables to related companies	351	-	1
Taxes payable	1 177	1 078	302
Other liabilities	1 897	2 139	4 120
Deferred income	126	106	91
Provisions	627	832	370
Total current liabilities	5 918	5 624	5 853
Total liabilities	9 766	8 956	8 326
Total liabilities and equity	347 723	350 549	384 867

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of cash flows

	1st quarter of 2011	1st quarter of 2010
	LVL thousand	LVL thousand
Operating activities		
Net result	1 840	436
Non-cash adjustments to reconcile profit before tax to net cash flows		
Amortisation and depreciation	2 303	2 279
Accruals for financial market fluctuations	-	2 880
Interest income	(288)	(471)
Share of net loss of associate	621	2 751
Foreign exchange gain	-	(2 880)
Loss on disposal of property, plant and equipment	-	10
	4 476	5 005
Working capital adjustments:		
(Increase)/ Decrease in inventories	(3)	445
(Increase)/ decrease in trade accounts receivable and receivables from related parties	(2 010)	1 596
Increase/ (Decrease) in liabilities	126	(1 196)
	2 589	5 850
Corporate income tax paid	(41)	-
Net cash flows from operating activities	2 548	5 850
Investing activities		
Purchase of intangibles and property, plant and equipment	(362)	(1 162)
Decrease in short term deposits	16 635	-
Interest received	296	504
Net cash flows from investing activities	16 569	(658)
Net increase in cash and cash equivalents	19 117	5 192
Cash and cash equivalents at the beginning of the period	14 155	23 967
Cash and cash equivalents at the end of the period	33 272	29 159

Consolidated statement of changes in equity**Group**

Group	Attributable to the equity holders of the Parent							
	Share capital	Share premium	Legal reserve	Reserves resulting from investment in associates	Other reserves	Total	Non-controlling interest	Total shareholders' equity
	LVL thousand	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	(15 958)	155 753	287 332	73 959	361 291
Adjustment of prior year other reserves	-	-	-	-	(5)	(5)	-	(5)
Adjusted balance as of 31 December 2009	104 479	42 343	715	(15 958)	155 748	287 327	73 959	361 286
Loss for the period	-	-	-	-	(29 456)	(29 456)	4 188	(25 268)
Other comprehensive income	-	-	-	8 760	-	8 760	-	8 760
Total comprehensive income/ (loss)	-	-	-	8 760	(29 456)	(20 696)	4 188	(16 508)
Dividends declared	-	-	-	-	-	-	(3 185)	(3 185)
Balance as of 31 December 2010	104 479	42 343	715	(7 198)	126 292	266 631	74 962	341 593
Profit for the period	-	-	-	-	604	604	1 117	1 721
Other comprehensive loss	-	-	-	(5 357)	-	(5 357)	-	(5 357)
Total comprehensive income/ (loss)	-	-	-	(5 357)	604	(4 753)	1 117	(3 636)
Balance as of 31 March 2011	104 479	42 343	715	(12 555)	126 896	261 878	76 079	337 957

Notes

1. Net revenues

	Group	
	1 st quarter of 2011 LVL thousand	1 st quarter of 2010 LVL thousand
Railway services	7 184	4 513
Reloading of crude oil and oil products	6 525	7 409
Transportation of oil products	2 946	2 710
Other	80	-
TOTAL:	16 735	14 632

2. Cost of sales

	Group	
	1 st quarter of 2011 LVL thousand	1 st quarter of 2010 LVL thousand
Railway charges	7 145	4 513
Amortization and depreciation	2 263	2 233
Remuneration for work	1 267	1 211
Utilization of piers	478	407
Electricity	439	338
Utilities	434	434
Social security contributions	303	292
Repair works done by other companies	285	240
Raw materials	213	192
Land rent	200	200
Environment protection expense	179	80
Insurance expenses	172	180
Treatment of technological waste water	73	89
Real estate tax	27	36
Security	2	209
Other	191	304
TOTAL:	13 671	10 958

3. General and administrative expense

	Group	
	1st quarter of 2011	1st quarter of 2010
	LVL thousand	LVL thousand
Professional charges and legal costs	280	63
Remuneration for work	274	353
Social security contributions	66	85
Amortization and depreciation	40	34
Advertising and marketing expense	25	53
Other personnel expense	16	19
Bank charges	8	11
Communication expense	7	11
Vehicle maintenance expense	6	39
Insurance fees	3	4
Rent of premises	-	12
Other administrative expense	210	86
TOTAL:	935	770

4. Other operating income

	Group	
	1st quarter of 2011	1st quarter of 2010
	LVL thousand	LVL thousand
Income from oil extracted from groundwater and waste waters	-	69
Other income	193	44
TOTAL:	193	113

5. Other operating expense

	Group	
	1st quarter of 2011	1st quarter of 2010
	LVL thousand	LVL thousand
Payments to local municipality	227	265
Personnel expenses	-	46
Amortization and depreciation	-	12
Accruals for financial market fluctuations	-	2 880
Other expenses	27	97
TOTAL:	254	3 300

6. Financial income

	Group	
	1st quarter of 2011	1st quarter of 2010
	LVL thousand	LVL thousand
Interest income	247	376
Interest income from bank account balances and deposits	129	140
Foreign currency exchange profit, net	17	2 954
TOTAL:	393	3 470

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>31.03.2011.</u>	<u>31.12.2010.</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>31.03.2011.</u>	<u>31.12.2010.</u>	
<u>Associated entities</u>			
Futbola klubs Ventspils Ltd.	21,25	21,25	Dzintaru street 20a, LV-3602, Ventspils, Latvia
JSC Latvian Shipping Company	49,94	49,94	Elizabetes street 1, LV-1807, Riga, Latvia