



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS OF 2009

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	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 (51%) 75 Talsu street, LV-3600, Ventspils
Associated entities of the Group	AS Latvijas kuģniecība (49.94%) 2 Basteja bulvāris, LV-1807, Riga SIA Futbola klubs Ventspils (42.50%) 20a Dzintaru iela, LV-3602, Ventspils

Council of AS Ventspils nafta

Chairman of the Council:

Vladimirs Solomatins

Deputy Chairman of the Council:

Dennis Crema

Andris Vilcmeiers

Jeffrey Scott Martz

Members of the Council:

Māris Gailis

Gints Laiviņš - Laivenieks

Paul Edward Mulholland

Ashley John Neale

Ansis Sormulis

Mamerts Vaivads

Vladimirs Krastiņš

Board of AS Ventspils nafta

Members of the Board:

Olga Pētersone

Aldis Āķis till 26/02/2008

Ilva Purēna

Guntis Tīrmanis

Normunds Staņēvičs from 26/02/2008

Management Report of JSC Ventspils nafta

First half-year of 2009

Dear shareholders, clients and cooperation partners.

The results for the first six months of 2009 have acknowledged that activity of companies of public joint stock company *Ventspils nafta* Group is stable and corresponds to the financial results planned in the budget also after operation of JSC *Ventspils nafta* Group was reoriented to management of investments only in the transit business segment. Considering activity of JSC *Ventspils nafta* Group companies in the international market, circumstances of global economic crisis have affected all Group companies in the reporting period, yet they have been able to take balanced actions corresponding to the complicated situation.

General tendencies in the financial instrument markets worldwide and macroeconomic situation in Latvia have had impact also on securities quoted at *NASDAQ OMX Riga*, including shares of JSC *Ventspils nafta*. In the reporting period, price of JSC *Ventspils nafta* shares has ranged from LVL 0.59 to LVL 0.99, with the average price per share reaching LVL 0.69. Market capitalization of JSC *Ventspils nafta* shares in the end of first half-year of 2009 was LVL 93.0 million in comparison with LVL 203.7 million in analogue period in 2008. At the same time during the second quarter of 2009 the price of the share has strict tendency to increase; thus, the price of share was 0.68 LVL in the end of the first quarter of 2009 but in the end of the first half- year of the 2009 the price of share already reached 0.99 LVL, growing approximately 45.6% during the second quarter. Correspondingly the market capitalization has increased, market capitalization of JSC *Ventspils nafta* in the end of first quarter of 2009 was LVL 71.0 million, yet in the end of first half – year of 2009 already LVL 93.0 million. However, it must be considered that market value calculation by usage of insignificant amount of public share market transactions is not representative, as the liquidity level is too low – the average turnover of transactions with JSC *Ventspils nafta* shares per day in the first six months of 2009 was LVL 2 thousand, which is only 0.002% of the total share market capitalization amount.

The consolidated net turnover of JSC *Ventspils nafta* in the first half-year of 2009 has reached LVL 39 million, and net profit – LVL 0.9 million. The mentioned results entirely correspond to the budget forecasts for 2009 published before by JSC *Ventspils nafta*, anticipating the consolidated net turnover of the Group to be at least LVL 60 million, and the net profit – at least LVL 2 million.

The JSC *Ventspils nafta* subsidiary *Ventspils nafta termināls* Ltd has transshipped in total more than 6.4 million tons of crude oil and petroleum products in the first six months of 2009, thereby continuously ensuring stable activity of the company aimed at growth in the inconsistent international market circumstances. In context of long-term development prospects, the company continues strengthening its positions as the most modern complex of crude oil and petroleum product transshipment in the Baltic region, by planning its operation under the same principles as other companies under the international *Vitol Group*, co-owner of *Ventspils nafta termināls* Ltd, around the world.

The largest proportion of the cargos transshipped by *Ventspils nafta termināls* Ltd in the period of January-June 2009 is formed by 4.7 million tons of diesel fuel delivered via petroleum products pipeline and by railway. 1.3 million tons of the total transshipment volume is formed by motor gasoline of various grades transported by railway and other petroleum products, and 0.4 million tons – by crude oil and petroleum product cargos delivered by sea.

Ventspils nafta termināls is the largest of such companies in the region, and its crude oil and petroleum products shore-tank farm reaches 1.2 million cubic meters and has no analogues among similar companies in the nearest countries.

Also the JSC *Ventspils nafta* subsidiary, owner and operator of crude oil and petroleum products pipeline in the territory of Latvia *LatRosTrans* Ltd has worked persistently in the reporting period in accordance with previous budget forecasts – the company has gained revenue mostly by transporting petroleum products to the Ventspils port. *LatRosTrans* Ltd is planning to pipe up to 5 million tons of diesel fuel in 2009.

Oil transportation in the direction of Lithuania via the pipeline owned by *LatRosTrans* Ltd is still not resumed due to the geopolitical situation. To maintain a positive cash flow in this situation, the company's management regularly assesses and reduces economic activity expenditure. A decrease in expenditure of more than LVL 1.5 million was achieved in the budget of *LatRosTrans* Ltd for 2009 as against expenditure of 2008. At the same time, also different other options of enlarging income sources of the company are analyzed.

In the reporting period, also the JSC *Ventspils nafta* associated company JSC *Latvian Shipping Company* continued pursuing its strategic activity goal – ensuring increase in the Group's value and retaining its position among the leading medium range tanker owners in the world.

Irrespective of the low market activity and the sharp decline in the market of ship charter rates, net profit of JSC *Latvian Shipping Company* in the first half-year of 2009 has reached USD 9.3 million as a result of effective expenditure optimization. Despite the global economic crisis, which directly affects demand for raw materials, JSC *Latvian Shipping Company* managed to ensure successful basic activity in the reporting period, as the result from ship activity even increased by 10% in comparison with the first half-year of 2008.

The global situation pertaining to financially economic development and the local conditions are indicating at present that the companies of JSC *Ventspils nafta* Group have to reckon with hard and difficult work also following the end of the reporting period in order to also further on guarantee their stable operation. As before, the companies of JSC *Ventspils nafta* Group continue working, by ensuring that interests of all shareholders are observed.

Chairperson of the Management Board for
JSC *Ventspils nafta*

O.Pētersone

Statement of Management Responsibility

The Management of JSC "Ventspils nafta" (hereinafter – the Company) is responsible for preparation of consolidated financial statements of the Company.

The financial statements set out on pages 8 to 12 are prepared in accordance with source documents and fairly present the financial position of the Company as at 30 June 2008 and 2009 and operating results for the first half-year of 2008 and 2009, changes in shareholders' equity and cash flows for the periods then ended.

The aforementioned financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board on an going concern basis. During the reporting period, appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Management of JSC "Ventspils nafta" is responsible for maintenance of proper accounting records, safeguarding of the Company's assets and prevention and detection of fraud and other irregularities in the Company.

Chairperson of the Management Board for
JSC Ventspils nafta

O. Pētersone

Income Statement

	Group	
	6 months of 2009	6 months of 2008
	EUR thousand	EUR thousand
Net sales	55 506	57 851
Cost of sales	(50 106)	(56 975)
Gross profit	5 400	876
Sales and distribution expense	-	(1 427)
General and administrative expense	(3 523)	(5 276)
Other operating income/(expense), net	(6 700)	8 173
Result from operating activities	(4 823)	2 346
Gain/ (loss) in subsidiaries and associated entities, net	3 300	13 641
Financial income/ (expense), net	4 984	(6 246)
Result before taxes	3 461	9 741
Corporate income tax	(336)	(37)
Net profit	3 125	9 704
Attributable to:		
Minority interest	1 854	(1 444)
Parent company's shareholders	1 271	11 148
Earnings per share		
in EUR per share	0,013	0,107

EUR exchange rate of the Bank of Latvia on 30 June 2009 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

Balance Sheet

ASSETS

	Group		Reference
	30/06/2009	31/12/2008	30/06/2008
	EUR thousand	EUR thousand	EUR thousand
NON CURRENT ASSETS			
Intangible assets	38 708	39 268	39 951
Property, plant and equipment			
Land, buildings and networks	123 329	125 204	141 135
Investment properties	-	-	53 686
Machinery and equipment	59 182	61 159	75 340
Other property, plant and equipment	4 922	5 356	6 225
Construction in progress	1 541	1 483	36 709
Prepayments for property, plant and equipment	1 061	304	946
TOTAL	190 035	193 506	314 041
Investments			
Investments in subsidiaries and associated entities	181 877	178 740	168 811
Other long-term loans to corporate entities	64 157	122 519	57 242
Other long-term receivables	418	444	461
TOTAL	246 452	301 703	226 514
TOTAL NON CURRENT ASSETS	475 195	534 477	580 506
CURRENT ASSETS			
Inventories	3 361	3 456	5 758
Trade accounts receivable	2 573	2 053	6 073
Receivables from related companies	59 477	35 485	54
Loans to related companies	778	778	-
Other accounts receivable	2 871	1 885	6 392
Trading investments	-	-	73
Cash and cash equivalents	90 624	50 876	24 789
TOTAL CURRENT ASSETS	159 684	94 533	43 139
TOTAL ASSETS	634 879	629 010	623 645

EUR exchange rate of the Bank of Latvia on 30 June 2009 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

	Group		Reference
	30/06/2009	31/12/2008	30/06/2008
	EUR thousand	EUR thousand	EUR thousand
SHAREHOLDERS' EQUITY			
Share capital	148 660	148 660	148 660
Share premium	60 249	60 249	60 249
Foreign currency translation reserve	(22 461)	(22 461)	(38 234)
Restricted reserves	1 017	1 017	1 017
Other reserves	319 085	277 678	277 678
Current period unappropriated result	1 271	42 313	11 148
MINORITY INTEREST	105 934	104 080	106 482
TOTAL SHAREHOLDERS' EQUITY	613 755	611 536	567 000
PROVISIONS			
Deferred corporate income tax	2 038	1 860	10 034
TOTAL PROVISIONS	2 038	1 860	10 034
LIABILITIES			
Long-term liabilities			
Long-term portion of financial lease liability	10	10	19 473
Long-term loan from credit institution	-	-	5 467
TOTAL	10	10	24 940
Current liabilities			
Short-term portion of long-term loan	-	-	4 270
Financial lease liabilities	1	10	2 738
Advances from customers	129	1 012	986
Trade accounts payable	2 092	3 376	7 897
Payables to related companies	-	206	-
Taxes payable	7 200	7 950	2 186
Other liabilities	457	768	1 088
Accrued liabilities	8 291	2 282	2 507
Unpaid dividends	906	-	-
TOTAL	19 076	15 604	21 672
TOTAL LIABILITIES	19 086	15 614	46 611
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	634 879	629 010	623 645

EUR exchange rate of the Bank of Latvia on 30 June 2009 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

Statement of Cash Flows

	Group	
	6 months of 2009	6 months of 2008
	EUR thousand	EUR thousand
Cash flow from/ (to) operating activities		
Net Result	1 271	11 148
Adjustments	948	(21 845)
Amortisation and depreciaton	6 606	8 026
Operating profit before changes in current assets and liabilities	8 825	(2 671)
Decrease/(increase) in inventory	95	443
Decrease/ (increase) in trade accounts receivable	(25 498)	(1 670)
Increase/ (decrease) in provisions	178	-
Increase/ (decrease) in current liabilities	3 472	1 421
Net cash from/ (to) operating activities	(12 928)	(2 477)
Cash flow from/ (to) investment activities		
Purchase of fixed assets	(2 574)	(9 260)
(Increase)/ decrease in long-term financial investments	55 250	3 694
Net cash flow from/ (to) investment activities	52 676	(5 566)
Cash flow from/ (to) financing activities		
Increase/ (decrease) in loans and leases	-	4 925
Net cash from/ (to) financing activities	-	4 925
Net increase(decrease) in cash	39 748	(3 118)
Cash at the beginning of the period	50 876	27 907
Cash at the end of the period	90 624	24 789

EUR exchange rate of the Bank of Latvia on 30 June 2009 – 0.702804 LVL

Statement of Changes in Shareholders' Equity

Group (EUR thousand)

	Share capital	Share premium	Foreign currency translation reserve	Restricted reserves	Other reserves	Current year unappropriated result	Minority interest	Total
Balance as of 31 December 2008	148 660	60 249	(22 461)	1 017	277 678	42 313	104 080	611 536
Current period result	-	-	-	-	-	1 271	-	1 271
Transfer of 2008 net result	-	-	-	-	41 407	(41 407)	-	-
Dividends	-	-	-	-	-	(906)	-	(906)
Minority interest	-	-	-	-	-	-	1 854	1 854
Balance as of 30 June 2009	148 660	60 249	(22 461)	1 017	319 085	1 271	105 934	613 755

EUR exchange rate of the Bank of Latvia on 30 June 2009 – 0.702804 LVL