



JSC VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONSOLIDATED FINANCIAL REPORT
FOR THE NINE MONTHS 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	Valņu street 3-18, LV-1050, Riga, Republic of Latvia
Subsidiaries of JSC Ventspils nafta	LatRosTrans Ltd (66%) Valnu street 3-21, LV-1050, Riga 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 Rubil Yilmaz Mark Ware Christophe Theophanis Matsacos Rudolf Meroni David Guy Anstis Mihhail Dementjev Jānis Hāze Hardija Vaivade

The changes in the Council during the period from 1 January 2011 to 9 November 2011 were as follows:

Elected	Dismissed	Name	Position held
20/01/2010	-	Vladimir Egger	Chairman of the Council
20/01/2010	-	Mikhail Dvorak	Deputy Chairman of the Council
20/01/2010	-	Javed Ahmed	Member of the Council
20/01/2010	-	Rubil Yilmaz	Member of the Council
20/01/2010	-	Mark Ware	Member of the Council
07/07/2010	-	Rudolf Meroni	Member of the Council
07/07/2010	-	Christophe Theophanis Matsacos	Member of the Council
27/07/2011	-	David Guy Anstis	Member of the Council
27/07/2011	-	Mihhail Dementjev	Member of the Council
27/07/2011	-	Jānis Hāze	Member of the Council
27/07/2011	-	Hardija Vaivade	Member of the Council
20/01/2010	27/07/2011	Oļegs Stepanovs	Member of the Council
07/07/2010	27/07/2011	Michael Hason	Member of the Council
07/07/2010	27/07/2011	David Alexander Schlaff	Member of the Council
07/07/2010	27/07/2011	Edgars Jansons	Member of the Council

According to the Council's resolution of 25 August 2011 Vladimir Egger has been re-elected as the Chairman of the Supervisory Council and Mikhail Dvorak has been elected as deputy chairman of the Supervisory Council.

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 period from 1 January 2011 to 9 November 2011.

Consolidated statement of comprehensive income

	Notes	9 months of 2011 LVL thousand	9 months of 2010 LVL thousand
Revenue	1	49 804	40 608
Cost of sales	2	(41 278)	(29 312)
Gross profit		8 526	11 296
General and administrative expense	3	(2 784)	(2 850)
Other operating income	4	397	241
Other operating expense	5	(2 204)	(1 758)
Share of (loss)/ profit in associate		(7 531)	(7 526)
Financial income	6	1 477	4 302
Profit/ (loss) before tax		(2 119)	3 705
Corporate income tax		(752)	(1 217)
Net profit/ (loss) for the period		(2 871)	2 488
Attributable to:			
Non-controlling interest		2 527	3 957
Parent company's shareholders		(5 398)	(1 469)
		(2 871)	2 488
Other comprehensive (loss)/ income			
Cash flow hedge reserve from investment in associate		156	-
Foreign currency translation resulting from investment in associate		(2 801)	14 143
Other comprehensive (loss)/ income for the period, net of tax		(2 645)	14 143
Total comprehensive (loss)/ income for the period, net of tax		(5 516)	16 631
Attributable to:			
Non-controlling interest		2 527	3 957
Parent company's shareholders		(8 043)	12 674
		(5 516)	16 631
Earnings/ (loss) per share (Lats per share)			
attributable to the Parent company's shareholders:			
Diluted and basic earnings/ (loss) per share		(0,052)	(0,014)

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of financial position

	30.09.2011	31.12.2010	30.09.2010
	LVL thousand	LVL thousand	LVL thousand
Assets			
Non-current asset			
Intangible assets	25 430	26 020	26 218
Property, plant and equipment	122 507	128 263	129 090
Investments in associated entities	71 926	82 102	127 687
Loan note	47 759	47 759	46 530
Other non-current receivables	26 362	25 659	-
Other non-current financial assets	227	251	257
Total non-current assets	294 211	310 054	329 782
Current assets			
Inventories	1 819	1 808	1 600
Trade accounts receivable	1 467	62	858
Receivables from related companies	279	877	28 380
Other receivables	6 578	2 685	1 513
Short term deposits	8 520	20 908	-
Cash and cash equivalents	28 350	14 155	34 134
Total current assets	47 013	40 495	66 485
Total assets	341 224	350 549	396 267

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of financial position (cont'd)

	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2010</u>
	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	(9 843)	(7 198)	(2 448)
Other reserves	126 292	155 748	170 685
Loss for the period	(5 398)	(29 456)	(1 469)
Equity attributable to equity holders of the parent	258 588	266 631	314 305
Non-controlling interest	72 736	74 962	74 731
Total equity	331 324	341 593	389 036
Non-current liabilities			
Deferred corporate income tax liability	1 708	1 595	1 776
Deferred income	2 667	1 737	1 763
	4 375	3 332	3 539
Current liabilities			
Advances from customers	74	74	74
Trade accounts payable	1 291	1 395	995
Taxes payable	456	1 078	378
Other liabilities	2 588	2 139	1 819
Deferred income	153	106	106
Provisions	963	832	320
Total current liabilities	5 525	5 624	3 692
Total liabilities	9 900	8 956	7 231
Total liabilities and equity	341 224	350 549	396 267

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of cash flows

	9 months of 2011	9 months of 2010
	LVL thousand	LVL thousand
Operating activities		
Net result	(2 119)	3 705
Non-cash adjustments to reconcile profit before tax to net cash flows		
Amortisation and depreciation	6 835	6 831
Interest income	(1 266)	(1 232)
Share of net loss of associate	7 531	7 526
Construction in progress written off	-	243
Foreign exchange gain	-	(2 520)
Loss on disposal of property, plant and equipment	1 350	234
	12 331	14 787
Working capital adjustments:		
(Increase)/ Decrease in inventories	(11)	450
(Increase)/ decrease in trade accounts receivable and receivables from related parties	(2 527)	3 628
Decrease in liabilities	(123)	(1 327)
	9 670	17 538
Property tax paid	(122)	-
Corporate income tax paid	(1 348)	(174)
Net cash flows from operating activities	8 200	17 364
Investing activities		
Purchase of intangibles and property, plant and equipment	(1 935)	(4 736)
Proceeds from sale of property, plant and equipment	49	52
Loan issued	(703)	-
Decrease in short term deposits	12 388	-
Interest received	949	513
Net cash flows from investing activities	10 748	(4 171)
Financing activities		
Dividends paid	(4 753)	(3 026)
Net cash flows from financing activities	(4 753)	(3 026)
Net increase in cash and cash equivalents	14 195	10 167
Cash and cash equivalents at the beginning of the period	14 155	23 967
Cash and cash equivalents at the end of the period	28 350	34 134

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			
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	
(Loss)/ Profit for the period	-	-	-	-	(5 398)	(5 398)	2 527	(2 871)	
Other comprehensive loss	-	-	-	(2 645)	-	(2 645)	-	(2 645)	
Total comprehensive income/ (loss)	-	-	-	(2 645)	(5 398)	(8 043)	2 527	(5 516)	
Dividends declared	-	-	-	-	-	-	(4 753)	(4 753)	
Balance as of 30 September 2011	104 479	42 343	715	(9 843)	120 894	258 588	72 736	331 324	

Notes

1. Net revenues

	Group	
	9 months of 2011 LVL thousand	9 months of 2010 LVL thousand
Railway services	22 112	10 978
Reloading of crude oil and oil products	19 205	22 046
Transportation of oil products	8 305	7 584
Other	182	-
TOTAL:	49 804	40 608

2. Cost of sales

	Group	
	9 months of 2011 LVL thousand	9 months of 2010 LVL thousand
Railway charges	22 033	10 977
Amortization and depreciation	6 721	6 678
Remuneration for work	4 055	3 766
Utilization of piers	1 445	1 033
Repair works done by other companies	1 299	1 420
Electricity	1 023	877
Social security contributions	961	909
Utilities	876	795
Environment protection expense	646	419
Land rent	599	595
Insurance expenses	495	507
Treatment of technological waste water	206	256
Raw materials	200	57
Real estate tax	81	108
Security	8	248
Other	630	667
TOTAL:	41 278	29 312

3. General and administrative expense

	Group	
	9 months of 2011	9 months of 2010
	LVL thousand	LVL thousand
Remuneration for work	851	1 224
Professional charges and legal costs	810	616
Social security contributions	208	277
Real estate tax	191	10
Amortization and depreciation	114	120
Advertising and marketing expense	78	133
Conferences, seminars and training	25	18
Bank charges	22	27
Communication expense	16	32
Vehicle maintenance expense	13	57
Rent of premises	-	77
Insurance fees	6	9
Other administrative expense	450	250
TOTAL:	2 784	2 850

4. Other operating income

	Group	
	9 months of 2011	9 months of 2010
	LVL thousand	LVL thousand
Income from oil extracted from groundwater and waste waters	58	69
Other income	339	172
TOTAL:	397	241

5. Other operating expense

	Group	
	9 months of 2011	9 months of 2010
	LVL thousand	LVL thousand
Non-current assets written off	1 398	286
Payments to local municipality	682	707
Sponsorship	36	-
Maintenance of premises and territory	-	186
Personnel expenses	-	151
Provisions for new sanitation objects	-	100
Amortization and depreciation	-	33
Maintenance of transport vehicles	-	24
Construction in progress object written off	-	243
Other expenses	88	28
TOTAL:	2 204	1 758

6. Financial income

	Group	
	9 months of 2011	9 months of 2010
	LVL thousand	LVL thousand
Foreign currency/ exchange gain/ (loss), net	211	2 690
Interest income from loans	799	1 219
Interest income from bank account balances and deposits	467	393
TOTAL:	1 477	4 302

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>30.09.2011.</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	Valnu street 3-21, LV-1050, Riga, Latvia
	<u>30.09.2011.</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

JSC Ventspils nafta and its subsidiaries

Address: 3-18 Valņu street, LV-1050,

Riga, Republic of Latvia

Unified registration number: 50003003091

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for the nine months of 2011

(All amounts in LVL thousands unless otherwise stated)