

JOINT STOCK COMPANY VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA
ON FINANCIAL STATEMENTS OF COMPANIES

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the shareholders of JSC Ventspils nafta

Report on the Financial Statements

We have audited the accompanying 2007 financial statements of JSC Ventspils nafta (the "Company"), which are set out on pages 9 through 40 of the accompanying 2007 Annual Report and which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Financial Statements of Companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Financial Statements of Companies.

Emphasis of Matter

Without qualifying our opinion, we would like to draw your attention to the fact that transportation of crude oil through the JSC Ventspils nafta subsidiary's LatRosTrans Ltd pipeline Polotsk–Mažeikiai ceased in July 2006 and since then the only LatRosTrans Ltd source of income has been transportation of oil products through the pipeline Polotsk–Ventspils. Thus, a part of LatRosTrans Ltd assets is no longer in operation and the remaining part is operating with a loss. As disclosed in Note 14 of the accompanying financial statements, in 2007 the Company's subsidiary LatRosTrans Ltd has not recognized any impairment loss based on the assessed value in use of the subsidiary's non-current assets calculated using estimates of future cash flows. The management of LatRosTrans Ltd believes the current situation to be temporary and is taking measures to resume the crude oil flow. However, it remains unclear whether these measures will result in any improvement of the situation. If the situation moves from temporary to permanent, substantial impairment losses on the investment in the subsidiary LatRosTrans Ltd will have to be realized.

INDEPENDENT AUDITORS' REPORT (cont'd)

Without qualifying our opinion, we draw your attention to the fact that *JSC Ventspils nafta* subsidiary *JSC Preses nams* has operated with losses in 2006 and 2007, which may lead to material impairment of property, plant and equipment included in the balance sheet as at 31 December 2007 (see Note 14). *JSC Preses nams* management believes that the situation is temporary as significant restructuring plans are approved for implementation in the forthcoming years and the restructuring process has started in 2007. The management of *JSC Preses nams* has assessed the fair value less costs to sell for property, plant and equipment as at 31 December 2007, and, if this is used as a basis for assessing the recoverable amount of the aforementioned assets, an impairment loss would amount to approximately LVL 2.5 million. Further, *JSC Preses nams* estimated net present value of future cash flows is positive and currently no impairment of the subsidiary's property, plant and equipment is required. However, it remains unclear whether the strategic development plan will be implemented as planned. If the subsidiary's actual result in future years is significantly worse than budgeted, impairment losses in relation to the investment in the subsidiary *JSC Preses nams* will have to be recognized.

No adjustments have been made in the accompanying financial statements that may be required as the outcome of the two uncertainties described above.

Without qualifying our opinion, we further draw your attention to two significant transactions disclosed in Note 14 to the financial statements, which includes disclosure of the Company's sale of minority share of the subsidiary *Ventspils nafta termināls Ltd* for USD 90 million and reversal of previously recognized impairment loss amounting to approximately LVL 30 million.

Report on Compliance of the Management Report

Furthermore, we have read the Management Report for the year ended 31 December 2007 (included on pages 6 through 8 of the accompanying 2007 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2007.

Ernst & Young Baltic Ltd
Licence No. 17

Diāna Krišjāne
Personal ID code: 250873-12964
Chairperson of the Board

Iveta Vimba
Latvian Sworn Auditor
Certificate No. 153

Riga, 15 April 2008

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Council of JSC Ventspils nafta

Chairman of the Council:	Vladimirs Solomatins
Deputy Chairmen of the Council:	Dennis Crema Andris Vilcmeiers Jeffrey Scott Martz
Members of the Council:	Māris Gailis Gints Laiviņš -Laivenieks Mamerts Vaivads Paul Edward Mulholland Ashley John Neale Ansis Sormulis Vladimirs Krastiņš

The changes in the Council during the period from 1 January 2007 to 15 April 2008 were as follows:

Elected	Dismissed	Name	Position held
20/07/2007		Vladimirs Solomatins	Chairman of the Council
20/07/2007		Andris Vilcmeiers	Deputy Chairman of the Council
20/07/2007		Jeffrey Scott Martz	Deputy Chairman of the Council
20/07/2007		Mamerts Vaivads	Member of the Council
20/07/2007		Vladimirs Krastiņš	Member of the Council
	20/07/2007	Mamerts Vaivads	Chairman of the Council
	20/07/2007	Vladimirs Solomatins	Deputy Chairman of the Council
	20/07/2007	Vladimirs Krastiņš	Deputy Chairman of the Council
	20/07/2007	Andris Vilcmeiers	Member of the Council
	20/07/2007	Jeffrey Scott Martz	Member of the Council

Board of JSC Ventspils nafta

Chairperson of the Board:	Olga Pētersone
Members of the Board:	Normunds Staņēvičs Ilva Purēna Guntis Tīrmanis

The changes in the Council during the period from 1 January 2007 to 15 April 2008 were as follows:

Elected	Dismissed	Name	Position held
26/02/2008		Normunds Staņēvičs	Member of the Board
	26/02/2008	Aldis Āķis	Member of the Board

Management report

The reporting period for the public holding joint stock company *JSC Ventspils nafta* can be particularly characterized by continuity of the positive changes related to involvement of the co-owner of *JSC Ventspils nafta* – international oil and gas transport consortium *Vitol Group* in the management and development of the holding company since public auction organized by Latvian government in autumn 2006 of the state-owned shares of *JSC Ventspils nafta*. The reporting period for the holding company of *JSC Ventspils nafta* has resulted in a year of changes aimed to the future with development areas of *JSC Ventspils nafta* being defined, presence of seasoned international professionals ensured at the management bodies of *JSC Ventspils nafta*, and the transit arm of the holding obtaining a new spirit.

During the reporting period, the registered and paid-up share capital of *JSC Ventspils nafta* was LVL 104,479,519 consisting of 104,479,519 shares with a nominal value of LVL 1 per share. *JSC Ventspils nafta* shares listed on the Riga Stock Exchange are included in its official list. In 2007, the price of *JSC Ventspils nafta* shares ranged from LVL 1.77 to LVL 3.31 with the average price of LVL 2.61, which is 42 santims more than in 2006. During the reporting period, 2,833,000 shares were sold at the Riga Stock Exchange in total reaching the annual turnover of 7,393,000 lats, which is 12% more than in the previous year. The average market capitalization of *JSC Ventspils nafta* has increased from 229.3 million lats in 2006 to 272.6 million lats in 2007.

During the reporting period, companies of *JSC Ventspils nafta* Group continued active work in the following principal areas of business – transshipment of crude oil and petroleum products (*Ventspils nafta termināls Ltd*); transport of crude oil and petroleum products via pipelines (*LatRosTrans Ltd*); printing (*JSC Preses nams*); real estate management and development (companies *Nekustamie īpašumi VN Ltd* and *Rīgas līcis VN Ltd*), and publishing (*Mediju nams Ltd*). *JSC Ventspils nafta* has also a significant shareholding (49.9%) in its associated sea cargo transport company *JSC Latvijas kuģniecība*, whose shares are also listed on the official list of Riga Stock Exchange like the shares of *JSC Ventspils nafta*.

The net turnover of *JSC Ventspils nafta* Group exceeded 82 million lats during the reporting period, which is 12 million lats more than in 2006. The net profit of *JSC Ventspils nafta* Group was 49.6 million lats during the reporting period or by 42.8 million lats more than in 2006. Financial results of *JSC Ventspils nafta* Group during the reporting period were favourably influenced by the activities in the transit area of the Group when a new co-owner joined and good results of the associated company *JSC Latvijas kuģniecība* as well as the stable results of other Group companies reaching set budgets. At the same time, it must be highlighted that complicated foreign policy aspects still had an impact on activity of *JSC Ventspils nafta* Group, affecting results of its subsidiary and the Latvian-Russian joint venture *LatRosTrans Ltd*, which is the owner and the operator of crude oil and petroleum products pipelines in the territory of Latvia. Exchange rate fluctuations also affected the financial results of *JSC Ventspils nafta* Group resulting in respective loss of 6.4 million lats.

In April 2007, *Euromin Holdings (Cyprus) Limited*, which is a company of *Vitol Group*, announced its decision about increasing its influence in *JSC Ventspils nafta* to 47.89%, thereby becoming the major and strategic investor of *JSC Ventspils nafta*. In line with the previously publicly announced strategy, the major shareholder of *JSC Ventspils nafta* actively participated in the management and development of the transit area of the Group hence most significant events of *JSC Ventspils nafta* in 2007 are related to development in this area of business.

On 21 February 2007, the Competition Council of the Republic of Latvia announced that there are no obstacles for *Euromin Holdings (Cyprus) Limited* and *JSC Ventspils nafta* to obtain controlling interest in the crude oil and petroleum product transshipment company *Ventspils nafta termināls Ltd*, which is a subsidiary of *JSC Ventspils nafta*. Taking into account the aforementioned resolution, *Euromin Holdings (Cyprus) Limited* purchased 49% of *Ventspils nafta termināls Ltd* shares. After conclusion of this transaction, *JSC Ventspils nafta* continued to hold controlling interest in the subsidiary. As a result of strategic cooperation between the major crude oil and petroleum products transshipment terminal in the Baltic region and globally influential oil and gas sector company *Vitol*, a regionally significant joint venture is established.

The transaction between *JSC Ventspils nafta* and *Euromin Holdings (Cyprus) Limited* provides that 90 million US dollars are to be paid for 49% of *Ventspils nafta termināls Ltd* shares. *Vitol Group* on their part also guarantees delivery of cargos to the terminal or financial compensation if the terminal load is not ensured in the necessary amount, as well as fixed annual payments irrespective of the specific transshipment volumes. That means stable activity of *Ventspils nafta termināls Ltd* is ensured, income flow and workplaces are guaranteed in long term, thereby enabling the company to implement its development and modernization plans. In accordance with the agreement between *Vitol* and *JSC Ventspils nafta* on financing the transaction, the payment will be executed maximum within ten years, aligning this transaction with *Vitol* undertaking to guarantee amount of cargos at *Ventspils nafta termināls Ltd* and to retain the role of significant investor at *JSC Ventspils nafta* holding company.

Management report (cont'd)

Ventspils nafta termināls Ltd is the largest of such companies in the region. Its crude oil and petroleum product shore-tank farm reaches 1.2 million cubic meters, and it has no analogues among similar companies in the nearest countries. *Ventspils nafta termināls Ltd* comprises 48.3% of the total amount of cargoes handled through the port of Ventspils in 2007. During the reporting period, operating results of *Ventspils nafta termināls Ltd* have more than doubled due to activity of the new co-owner with the transshipment amount exceeding 10 million tons for the first time since 2003. The transshipment volume of *Ventspils nafta termināls Ltd* increased by 133.3% last year compared to year 2006, reaching 13.3 million tons of crude oil and petroleum products transported through the terminal by railway, sea and diesel pipeline.

The amount of diesel fuel handling has increased considerably in 2007 since *Ventspils nafta termināls Ltd* successfully resumed receiving it via pipeline. The amount of diesel fuel transported to the terminal by railway and pipeline exceeded 9.5 million tons in 2007, which is 7.4 million tons more than in 2006.

The amount of cargos delivered by sea also increased significantly – by 0.6 million tons – in comparison to 2006, reaching 1.8 million tons in 2007. Crude oil (1 million tons) accounts for the highest proportion of sea cargos. *Ventspils nafta termināls Ltd* also handled 1.7 million tons of fuels of various grades in 2007. Transshipment increase trend for *Ventspils nafta termināls Ltd* is continuing also after the end of the reporting period – increase of crude oil and petroleum product cargos handled continues in January 2008.

During the reporting period, *Ventspils nafta termināls Ltd* received the latest certificates corresponding to the requirements of the Quality Management Standard ISO 9001:2000 and the Environment Management Control Standard ISO 14001:2004. Affirmation of conformity of the terminal to the aforementioned standards became effective on March 1, 2007 and it was issued by the international certification organization *Bureau Veritas Certification*.

LatRosTrans Ltd, a transit company of *JSC Ventspils nafta Group* and the owner and the operator of crude oil and petroleum products pipelines in the territory of Latvia, operated under influence of pressure of negative external circumstances related to Russian oil transshipment interruption to the Lithuanian oil refinery in Mazeikiai. Oil transshipment in the direction of Lithuania was partially ensured by *LatRosTrans Ltd*. Tension in the relations between Russia and Lithuania, which unfortunately affected also activity of *JSC LatRosTrans Ltd* and *JSC Ventspils nafta Group* in the global transit system, started already in 2006 when the shares of Lithuanian company *Mazeikiu nafta* were sold to a Polish oil company *Orlen*. As a result, business resources of *LatRosTrans Ltd* were focused only on petroleum product transshipment with the total amount reaching 6.5 million tons in 2007. At the same time, *LatRosTrans Ltd* was focused on reducing running costs ensuring balanced relationship between income and expenditures.

During the reporting period, *LatRosTrans Ltd* launched the oil custody transfer meter NPS *Skrudaliena*, thereby ensuring automatic and more precise control of petroleum product flow in the pipeline. The total investments of *LatRosTrans Ltd* in construction of the new facility have reached more than 6 million US dollars. *LatRosTrans Ltd* has operated actively on elimination of excess physical loss of petroleum products resulting from illegal activities by hiring a security company, regularly inspecting the pipeline, collaborating with the police, allocating considerable resources in recovery of the environment, as well as informing and trying to involve other state authorities in dealing with this issue. No excess loss of petroleum products were established at *LatRosTrans Ltd* in 2007, affirming effectiveness of the measures implemented by the company.

In 2007 *JSC Preses nams* continued organizational and functional restructuring in order to achieve its business goals and maximum efficiency of the operations with the intention of moving the production capacities from the Riga city centre to new production facilities on the outskirts of the city and optimizing the production. *JSC Preses nams* has set specific deadlines for completion of two new production plants that would print periodicals and books. The new advanced book production facility at Jāņsilī, Silakrogs, Ropažu pagasts, is to be launched in summer of 2008, and the new plant for production of periodicals at the technological park in the territory of the Riga international airport is to be opened in 2009.

In order to offer its clients the best services *JSC Preses nams* made serious efforts in 2007 to introduce the latest and most advanced technical and technological solutions that help to increase production efficiency and reduce costs. *JSC Preses nams* operates updated book printing equipment, for example, for production of precision-printed hard covers and integral binding and offset sheet printing. Complete introduction of new technologies and equipment at the new production plants is planned in 2009.

During the reporting period *JSC Preses nams* increased printing services provided to Latvian customers to 83% of the total sales. Diverse printing services offered by *JSC Preses nams*, as well as the expedient geographic disposition of the market enabled the company to maintain its position in the segment of printing of periodicals in 2007 and to continue stable operations also in the segments of printing of books, sheets and labels despite tough competition on the market.

Management report (cont'd)

The positive operating results achieved by *JSC Latvijas kuģniecība*, the associated company of *JSC Ventspils nafta*, during the reporting period attests the company's ability to compete successfully in the global shipping market in line with the objectives set by its shareholders. By active work on modernizing the company's fleet and increasing competitiveness, *JSC Latvijas kuģniecība* has received already 11 new constructions of tankers from Croatian and South Korean shipyards 3.Maj and Hyundai Mipo Dockyard Co., Ltd. (HMD) since July 7, 2006. Implementation of the mentioned tanker fleet restoration program is planned to be finished in 2008, and 14 new tankers meeting the requirements of navigation safety field of European Union and international conventions will be added to the fleet of *JSC Latvijas kuģniecība* within the framework of this program thereby obtaining a wider geographic coverage of the fleet and presenting a considerable competitive advantage combined with the company's existing considerable experience.

In order to ensure most efficient work of the Supervisory Council of *JSC Ventspils nafta*, the Supervisory Council of *JSC Ventspils nafta* adopted a resolution on changes in leadership of the Supervisory Council. The long-term Vice-Chairman of the Supervisory Council of *JSC Ventspils nafta*, Doctor of Economic Science, specialist and professional in the area of crude oil and petroleum product transit Vladimirs Solomatins was elected the Chairman by the Supervisory Council of *JSC Ventspils nafta*. In accordance with the resolution of the Supervisory Council, the *JSC Ventspils nafta* international shareholder, a *Vitol Group* company, increased its influence on this supervisory body of *JSC Ventspils nafta* in 2007, as its representatives took one more of the three positions of Deputy Chairmen of the Supervisory Council. As from 20 July 2007, the elected Chairmen of the Supervisory Council of *JSC Ventspils nafta* are the representatives of *Vitol Group* Dennis Crema and Jeffrey Martz, as well as Andris Vilcmeiers, who supervises the internal audit of *JSC Ventspils nafta* on behalf of the Supervisory Council.

In 2008, *JSC Ventspils nafta* and its subsidiaries are determined to continue implementation of the growth and development plans by continuing to operate in order to reach goals established by the shareholders as well as to ensure increase in the Group's value.

Financial results of *JSC Ventspils nafta* as the Parent Company in 2007 were largely affected by performance of the above subsidiaries. *JSC Ventspils nafta* net profit for 2007 is 39.4 million lats, which is due to the sale of shares in *Ventspils nafta termināls Ltd* and reversal of the previously recognised impairment of the respective investment.

The profit of *JSC Ventspils nafta* (Parent Company) for 2007 in the amount of LVL 39 449 thousand will be transferred to other reserves and used for further development of the Company.

On behalf of the Council:

On behalf of the Board:

Vladimirs Solomatins
Chairman of the Council

Olga Pētersone
Chairperson of the Board

Ventspils, 15 April 2008

Income statement

	Notes	2007 EUR '000	2006 EUR '000 <i>Reclassified</i>
Net sales	3	6 621	7 215
Cost of sales	4	(3 661)	(3 845)
Gross profit		2 960	3 370
General and administrative expense	5	(3 840)	(2 998)
Other operating income	6	844	2 059
Other operating expense	7	(894)	(2 379)
Result from operating activities		(930)	52
Gain from investment in associates		-	73
Income from securities forming non-current assets, net	14	37 982	-
Investment (impairment)/ reversal	14	22 126	-
Financial income	9	3 705	263
Financial expense	10	(6 569)	(88)
Result before taxes		56 314	300
Corporate income tax	11	(147)	(26)
Other taxes	12	(36)	(112)
Net result		56 131	162

Exchange rate of the Bank of Latvia at December 2007 0,702804 LVL

On behalf of the Council:

On behalf of the Board:

 Vladimirs Solomatins
Chairman of the Council

 Olga Pētersonē
Chairperson of the Board

Balance sheet**ASSETS**

	Notes	31/12/2007 EUR '000	31/12/2006 EUR '000 <i>Reclassified</i>
NON-CURRENT ASSETS			
Property, plant and equipment			
Land and buildings	13	6 793	6 961
Equipment and machinery	13	1	40
Other property, plant and equipment	13	612	721
TOTAL		7 406	7 722
Investment properties			
Investments			
Investments in subsidiaries and associates	14	264 656	264 380
Loan to related company	15	61 980	962
TOTAL		326 636	265 342
TOTAL NON-CURRENT ASSETS		334 907	273 939
CURRENT ASSETS			
Inventories	16	864	2 245
Receivables		-	-
Loans to related companies	15	1 390	2 301
Trade receivables	17	-	2 893
Receivables from related companies	15	102	131
Other receivables	18	245	410
Other assets	19	407	102
Shares	20	73	73
Cash	21	858	544
TOTAL CURRENT ASSETS		3 939	8 697
TOTAL ASSETS		338 846	282 636

EUR exchange rate of the Bank of Latvia at December 2007 - 0,702804 LVL

On behalf of the Council:

On behalf of the Board:

 Vladimirs Solomatins
Chairman of the Council

 Olga Pētersone
Chairperson of the Board

Balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	31/12/2007 EUR '000	31/12/2006 EUR '000 <i>Reclassified</i>
SHAREHOLDERS' EQUITY			
Share capital	22	148 660	148 660
Share premium		60 249	60 249
Other reserves		72 780	72 618
Current year unappropriated result		56 131	162
TOTAL SHAREHOLDERS' EQUITY		337 820	281 689
LIABILITIES			
Non-current liabilities			
Deferred corporate income tax	11	489	481
TOTAL		489	481
Current liabilities			
Trade payables	23	98	121
Payables to related companies		1	14
Taxes payable	24	149	-
Other liabilities	25	64	38
Accrued liabilities	26	223	293
TOTAL		535	466
TOTAL LIABILITIES		1 026	947
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		338 846	282 636

EUR exchange rate of the Bank of Latvia at December 2007 - 0,702804 LVL

On behalf of the Council:

On behalf of the Board:

 Vladimirs Solomatins
Chairman of the Council

 Olga Pētersonē
Chairperson of the Board

Cash flow statement

	2007	2006
	EUR '000	EUR '000
Cash flows from/ (to) operating activities		
Result before taxes	56 314	300
Adjustments:	-	-
Impairment reversal	(24 802)	-
Impairment of investments	2 676	-
Amortisation and depreciation	314	421
Interest income	(3 705)	(263)
Interest expense	-	1
Loss on disposal of tangible assets	7	248
Gain on sale of investments	(37 982)	-
Reversal of impairment of investments	-	(73)
Loss from fluctuations of currency exchange rates	6 540	-
Operating profit before changes in current assets and liabilities	(638)	634
Decrease in inventories	1 382	2 086
Decrease/ (increase) in trade receivables	4 715	(195)
Increase/ (decrease) in current liabilities	(67)	61
Net cash from/ (to) operating activities	5 392	2 586
Taxes paid	(37)	(411)
Cash flows before extraordinary items	5 355	2 175
Net cash from/ (to) operating activities	5 355	2 175
Cash flow from/ (to) investment activities		
Purchase of intangible and tangible assets	(14)	(245)
Gain on disposal of tangible assets	18	-
Reversal of impairment of investments	-	73
Investments in subsidiaries	(8 295)	(4 071)
Interest received	3 251	198
Net cash flow from/ (to) investment activities	(5 040)	(4 045)
Cash flow from/ (to) financing activities		
Interest payments	-	(1)
Net cash from/ (to) financing activities	-	(1)
	0	
Net increase/ (decrease) in cash	314	(1 871)
Cash at the beginning of the year	544	2 415
Cash at the end of the year	858	544

EUR exchange rate of the Bank of Latvia at December 2007 - 0,702804 LVL

Statement of changes in shareholders' equity

EUR '000

	Share capital	Share premium	Other reserves	Current year's unappropriated result	Total
Balance as at 31 December 2005	148 660	60 249	122 928	(50 310)	281 527
Transfer of 2005 net result	-	-	(50 310)	50 310	-
Current year result	-	-	-	162	162
Balance as at 31 December 2006	148 660	60 249	72 618	162	281 689
Transfer of 2006 net result	-	-	162	(162)	-
Current year result	-	-	-	56 131	56 131
Balance as at 31 December 2007	148 660	60 249	72 780	56 131	337 820

EUR exchange rate of the Bank of Latvia at December 2007 - 0,702804 LVL

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 9 to 40 are prepared in accordance with source documents and fairly present the financial position of the Company and operating results, changes in shareholders' equity and cash flows in 2006 and 2007.

The aforementioned financial statements are prepared in accordance with the Law of the Republic of Latvia on Financial Statements of Companies on on-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.

On behalf of the Council:

On behalf of the Board:

Vladimirs Solomatins
Chairman of the Council

Olga Pētersonē
Chairperson of the Board