



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS OF 2007

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Ventspils, 2007

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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 AS Preses nams (93.01%) 3 Balasta dambis, LV-1081, Riga SIA Mediju nams (99.31%) 3 Balasta dambis, LV-1081, Riga SIA Rīgas Līcis VN (100%) 51 Dubultu prospekts, LV-2015, Jūrmala SIA Nekustamie īpašumi VN (100%) 3 Balasta dambis, LV-1081, Riga |
| Associated entities of the Group | AS Latvijas kuģniecība (49.94%) 2 Basteja bulvāris, LV-1807, Riga SIA Mediji un Poligrāfija (32.70%) 3 Balasta dambis, LV-1081, Riga SIA Ventshoes (21.44%) 6 I.Mičurina iela, LV-3601, Ventspils SIA Futbola klubs Ventspils (42.50%) 20a Dzintaru iela, LV-3602, Ventspils |

Subsidiaries of SIA Nekustamie
Īpašumi VN

SIA Darījumu centrs Daugava (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Namserviss VN (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Ventspils biznesa centrs (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Lejastiezumi (100%)
3 Balasta dambis, LV-1081, Rīga

SIA Pārventas sporta centrs (100%)
3 Balasta dambis, LV-1081, Rīga

Council of AS Ventspils nafta

Chairman of the Council:

Mamerts Vaivads was recalled from office of a Chairman of the Council on 20/07/2007

Vladimirs Solomatins was appointed a Chairman of the Council on 20/07/2007

Deputy Chairman of the Council:

Vladimirs Solomatins was recalled from office of a Deputy Chairman of the Council on 20/07/2007

Dennis Crema

Vladimirs Krastiņš was recalled from office of a Deputy Chairman of the Council on 20/07/2007

Andris Vilcmeiers was appointed a Deputy Chairman of the Council on 20/07/2007

Jeffrey Scott Martz was appointed a Deputy Chairman of the Council on 20/07/2007

Members of the Council:

Māris Gailis

Gints Laiviņš - Laivenieks

Jeffrey Scott Martz till 20/07/2007

Paul Edward Mulholland

Ashley John Neale

Ansis Sormulis

Andris Vilcmeiers till 20/07/2007

Mamerts Vaivads from 20/07/2007

Vladimirs Krastiņš from 20/07/2007

Board of AS Ventspils nafta

Members of the Board:

Olga Pētersone

Aldis Āķis

Ilva Purēna

Guntis Tīrmanis

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 10 to 14 are prepared in accordance with source documents and fairly present the financial position of the Company as at 30 June 2006 and 2007 and operating results for the first half-year of 2006 and 2007, 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

Management report of JSC Ventspils nafta

First half-year of 2007

Dear shareholders, clients and cooperation partners,

Results of the public joint stock company Ventspils nafta Group for the first half-year of 2007 mark beginning of a new stage of development of the company with increased activity from the strategic investor of JSC Ventspils nafta and its direct involvement in development of transit arm of the holding company increasing the business development prospects and ensuring value increase of the whole JSC Ventspils nafta Group, respectively.

In autumn of 2006, the portfolio of JSC Ventspils nafta shares previously owned by the Latvian state was sold at the Riga Stock Exchange during a public auction organized by the Latvian state, and Euromin Holdings (Cyprus) Limited, a company of the international oil and gas transport concern Vitol Group, acquired a 34.75% stake. During the reporting period, in April 2007, Vitol informed about increasing its stake in JSC Ventspils nafta to 47.89%. Thus participation of international high-level professionals in administrative bodies of JSC Ventspils nafta was ensured enhancing long-term prospects of JSC Ventspils nafta and guaranteeing effective company management.

On June 31, 2007 registered and paid-up share capital of JSC Ventspils nafta was LVL 104, 479, 519 consisting of 104, 479, 519 shares having a nominal value of LVL 1 per share. There are 60, 598, 121 shares in public circulation listed at the Riga Stock Exchange and included in the Baltic Official List. Shares of JSC Ventspils nafta have been listed in the Riga Stock Exchange (RSE) since October 1998 and were one of the most liquid RSE securities during these years.

During the reporting period, the average price of JSC Ventspils nafta shares in the RSE was LVL 2.54 with the highest price reaching LVL 2.86. The average price during the reporting period was by 35 santims higher than in a respective period of 2006 when it reached LVL 2.19. During this period, 2, 083, 000 shares in 1, 658 transactions were traded in total reaching a six-month turnover of LVL 5, 289, 000 which is by 123% more than in a respective period last year. Market capitalization of JSC Ventspils nafta shares at the end of the first half-year of 2007 was LVL 280 million. While average market capitalization of JSC Ventspils nafta shares increased from LVL 229 million in the first half-year of 2006 to LVL 265.3 million in the first half-year of 2007, that is, by LVL 36.3 million, or 15.9% compared to respective period last year.

Operating results of the first half-year of 2007 show development prospects of JSC Ventspils nafta Group with holding company's consolidated net turnover reaching LVL 43.7 million, but net profit – LVL 9.6 million. If compared to a respective period of 2006, holding company's net turnover this year has increased by LVL 5.1 million, or 13%. Growth of net profit compared to a respective period last year is LVL 5.4 million or 130% compared to period from January to June of 2006.

During the reporting period, major events in JSC Ventspils nafta Group are related to operation of its crude oil and petroleum products transshipment company Ventspils nafta termināls Ltd. One of the most important factors having positively influenced financial results of JSC Ventspils nafta during the reporting period was the successful economic activity of Ventspils nafta termināls Ltd.

During the first half-year of 2007, Ventspils nafta termināls Ltd has handled nearly 7 million tons of crude oil and petroleum products delivered to the terminal by rail, sea and diesel pipeline, that is, by 3.6 million tons more than in a respective period last year. Transshipment amount is showing a tendency to increase after the end of the reporting period, as well.

Cargo amount in Ventspils nafta termināls Ltd is increasing since January, 2007 after having successfully started receiving of gas oil through petroleum products pipeline and promoting cooperation with the international oil transport and trading consortium Vitol Group being a shareholder of JSC Ventspils nafta and co-owner of Ventspils nafta termināls Ltd.

Consolidated financial results of JSC Ventspils nafta Group for the first half-year of 2007 reflect also a transaction as a result of which Euromin Holdings, a company of the international corporation Vitol, has become a full-fledged business partner of the holding company acquiring a 49% shareholding in Ventspils nafta termināls Ltd.

This transaction shows that activities of management of JSC Ventspils nafta in the previous years, by ensuring increase in value of companies within the concern have been successful and comply with shareholders' interests. Transaction price paid for shareholding in VNT between JSC Ventspils nafta and Vitol confirm that technical and technological capabilities, human resources and development potential of Ventspils nafta termināls Ltd are highly appreciated. As a result of strategic cooperation between the largest crude oil and petroleum products transshipment terminal in the Baltic region and Vitol, an influential company of the global oil and gas sector, a serious joint venture of regional scale was created.

Agreement with Vitol is of key importance to Ventspils nafta termināls Ltd and the entire JSC Ventspils nafta Group because the new shareholder, in addition to finances, will ensure stable operations, guaranteed income and jobs for the terminal. At the same time, JSC Ventspils nafta will remain the majority shareholder in the terminal.

Transaction between JSC Ventspils nafta and Euromin Holdings (Cyprus) Limited stipulates price of USD 90 million to be payable for a 49% stake in Ventspils nafta termināls Ltd. Vitol, on its hand, guarantees delivery of cargos to the terminal or financial compensation if terminal's load is not ensured at the agreed level.

This means that stable operations, guaranteed income and long-term jobs will be ensured at Ventspils nafta termināls Ltd providing the company an opportunity to implement its development and modernization plans. On February 21, 2007, the Competition Council of the Republic of Latvia acknowledged that there are no obstacles for Euromin Holdings, the company of the international corporation Vitol, and JSC Ventspils nafta to getting joint decisive influence over Ventspils nafta termināls Ltd.

After concluding the transaction, changes in the Management Board for Ventspils nafta termināls Ltd were introduced during the reporting period, as well, in order to ensure optimal integration of Ventspils nafta termināls Ltd in the international network of Vitol. Vitol's representative Robert Nijst was appointed as the chairman of the Management Board, and Rolands Kalniņš, the previous chairman of the Management Board, continues as a member of the company's Management Board. After concluding the transaction, JSC Ventspils nafta's representative Uldis Pumpurs left the office of a member of the Management Board for Ventspils nafta termināls Ltd, and was replaced by Vjačeslavs Verņuks who was the terminal's technical director for many years. Vitol's representative Eric Arnold continues to function as a member of the Management Board, as well.

Share capital of Ventspils nafta termināls Ltd is LVL 78, 541, 800 consisting of 785, 418 shares having a nominal value of LVL 100 per share. Ventspils nafta termināls Ltd is a company within JSC Ventspils nafta Group rendering such transit services as receiving of oil and gas oil through pipelines as well as receiving of oil, gas oil, motor gasoline and other petroleum products by rail and sea, their storage and transshipment.

Ventspils nafta termināls Ltd is the largest of such companies in the region. Its crude oil and petroleum products shore-tank farm reaches 1.2 million cubic metres and has no analogues among similar companies in the nearest countries. Owners of Ventspils nafta termināls Ltd had been looking for a strategic partner to ensure that the terminal is operated at full capacity, particularly considering that crude oil is no longer delivered to Ventspils through a pipeline. This search has not ended now that Vitol has become a co-owner of JSC Ventspils nafta and Ventspils nafta termināls Ltd, and both Vitol and JSC Ventspils nafta remain open to strategic partnerships with energy companies from Russia and elsewhere.

With Vitol's participation in the share capital and management of the company, Ventspils nafta termināls Ltd has become more active in considering its business expansion opportunities, during the reporting period starting to study construction

possibilities of a heavy fuel shore-tank farm in the terminal's current area. In order to find out and analyse all essential aspects of rendering heavy fuel receiving, storage and transshipment services, Ventspils nafta termināls Ltd has started to assess environmental impact of the potential shore-tank farm.

After the end of the reporting period aimed towards optimization of management structure of the company, there were introduced changes in the Supervisory Board for JSC Ventspils nafta. Vladimirs Solomatins having performed functions of a deputy chairman of the Supervisory Board for JSC Ventspils nafta for many years, being a doctor of economics and a professional and specialist in the sphere of crude oil and petroleum products transit was elected a chairman of the Supervisory Board. Euromin Holdings (Cyprus) Limited, a company of the international oil transport consortium Vitol Group and foreign shareholder of JSC Ventspils nafta, has extended its influence over this administrative institution of JSC Ventspils nafta thanks to its representatives getting another one of three positions of deputy chairmen of the Supervisory Board.

V. Solomatins holds office in the Supervisory Board for JSC Ventspils nafta since 2003. V. Solomatins is a doctor of economics educated in Business School Lausanne in Switzerland, Moscow State Institute of Business Administration in Russia and the University of Latvia. The new chairman of the Supervisory Board for JSC Ventspils nafta is a Russian-, Latvian- and English-speaking academician of the International Informatization Academy and recognized authority in industry (in more specific terms, transit business matters) among experts and his colleagues.

Jeffrey Martz and Dennis Crema, who held office of a deputy chairman of the Supervisory Board for JSC Ventspils nafta also previously, both representing the company Vitol are the newly elected deputy chairmen of the Supervisory Board for JSC Ventspils nafta. The member of the Supervisory Board Andris Vilcmeiers dealing with internal audit matters of JSC Ventspils nafta was elected as the third deputy chairman of the Supervisory Board.

Chairperson of the Management Board for
JSC Ventspils nafta

O. Pētersone

Income Statement

| | Group | |
|---|---------------------|---------------------|
| | 6 months of 2007 | 6 months of 2006 |
| | EUR thousand | EUR thousand |
| Net sales | 62 189 | 54 884 |
| Cost of sales | (49 697) | (45 881) |
| Gross profit | 12 492 | 9 004 |
| Sales and distribution expense | (1 128) | (1 345) |
| General and administrative expense | (5 807) | (4 650) |
| Other operating income/(expense), net | (39 585) | (403) |
| Result from operating activities | (34 028) | 2 606 |
| Gain/ (loss) in subsidiaries and associated entities, net | 56 105 | 6 049 |
| Financial income/ (expense), net | (623) | (731) |
| Result before taxes | 21 454 | 7 924 |
| Corporate income tax | (5 697) | (908) |
| Net result before minority interest | 15 757 | 7 016 |
| Minority interest | (2 066) | (1 071) |
| Net result for the period | 13 691 | 5 945 |
| Earnings per share | | |
| in EUR per share | 0,131 | 0,057 |

EUR exchange rate of the Bank of Latvia on 30 June 2007 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

Balance Sheet

ASSETS

| | Group | | Reference |
|---|----------------|----------------|----------------|
| | 30/06/2007 | 31/12/2006 | 30/06/2006 |
| | EUR thousand | EUR thousand | EUR thousand |
| NON CURRENT ASSETS | | | |
| Intangible assets | 41 067 | 41 608 | 42 394 |
| Property, plant and equipment | | | |
| Land, buildings and networks | 109 543 | 109 868 | 107 283 |
| Investment properties | 45 087 | 45 087 | 37 860 |
| Machinery and equipment | 69 006 | 67 833 | 79 344 |
| Other property, plant and equipment | 5 747 | 6 510 | 7 030 |
| Construction in progress | 30 824 | 17 504 | 14 650 |
| Prepayments for property, plant and equipment | 1 279 | 4 330 | 7 103 |
| TOTAL | 261 486 | 251 132 | 253 270 |
| Investments | | | |
| Investments in subsidiaries and associated entities | 135 955 | 159 655 | 168 095 |
| Other long-term loans to corporate entities | 1 464 | 1 501 | 1 520 |
| Other long-term loans | 66 847 | - | - |
| TOTAL | 204 266 | 161 156 | 169 615 |
| TOTAL NON CURRENT ASSETS | 506 818 | 453 896 | 465 281 |
| CURRENT ASSETS | | | |
| Inventories | 7 197 | 8 553 | 11 972 |
| Current portion of long-term receivables | 60 | 60 | 60 |
| Trade accounts receivable | 6 962 | 10 290 | 8 618 |
| Other accounts receivable | 1 807 | 1 485 | 2 301 |
| Prepaid expense | 2 305 | 1 645 | 2 617 |
| Accrued income | 357 | 552 | 575 |
| Held-to-maturity investments | - | 13 984 | - |
| Trading investments | 73 | 73 | 73 |
| Cash and cash equivalents | 27 035 | 7 732 | 24 113 |
| TOTAL CURRENT ASSETS | 45 795 | 44 374 | 50 328 |
| TOTAL ASSETS | 552 613 | 498 270 | 515 609 |

EUR exchange rate of the Bank of Latvia on 30 June 2007 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Group | | Reference |
|---|----------------|----------------|----------------|
| | 30/06/2007 | 31/12/2006 | 30/06/2006 |
| | 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 | (13 418) | (9 089) | 6 733 |
| Restricted reserves | 1 017 | 1 017 | 1 017 |
| Other reserves | 207 102 | 197 359 | 214 377 |
| Previous period unappropriated result | - | - | (30 912) |
| Current period unappropriated result | 13 691 | 9 743 | 5 945 |
| MINORITY INTEREST | 91 503 | 57 024 | 60 757 |
| TOTAL SHAREHOLDERS'EQUITY | 508 804 | 464 963 | 466 824 |
| PROVISIONS | | | |
| Deferred corporate income tax | 8 277 | 8 277 | 22 045 |
| TOTAL PROVISIONS | 8 277 | 8 277 | 22 045 |
| LIABILITIES | | | |
| Long-term liabilities | | | |
| Long-term portion of financial lease liability | 15 151 | 1 554 | 2 187 |
| Long-term loan from credit institution | - | 2 624 | 7 177 |
| TOTAL | 15 151 | 4 178 | 9 364 |
| Current liabilities | | | |
| Short-term portion of long-term loan | 4 281 | 8 261 | 6 349 |
| Financial lease liabilities | 1 723 | 1 202 | 639 |
| Advances from customers | 162 | 88 | 600 |
| Trade accounts payable | 5 000 | 6 720 | 5 566 |
| Taxes payable | 783 | 741 | 766 |
| Other liabilities | 639 | 942 | 625 |
| Accrued liabilities | 7 415 | 2 531 | 2 302 |
| Deferred income | 377 | 367 | 529 |
| TOTAL | 20 380 | 20 852 | 17 376 |
| TOTAL LIABILITIES | 35 532 | 25 030 | 26 740 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 552 613 | 498 270 | 515 609 |

EUR exchange rate of the Bank of Latvia on 30 June 2007 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

Statement of Cash Flows

| | Group | |
|--|-------------------------|-------------------------|
| | 6 months of 2007 | 6 months of 2006 |
| | EUR thousand | EUR thousand |
| Cash flow from/ (to) operating activities | | |
| Net Result | 13 691 | 5 945 |
| Adjustments | 30 151 | - |
| Amortisation and depreciaiton | 6 976 | 7 390 |
| <i>Operating profit before changes in current assets and liabilities</i> | <i>50 818</i> | <i>13 335</i> |
| Decrease in inventory | 1 356 | (256) |
| Decrease/ (increase) in trade accounts receivable | 2 483 | 1 199 |
| Increase/ (decrease) in provisions | - | 908 |
| Increase/ (decrease) in current liabilities | (471) | 747 |
| Net cash from/ (to) operating activities | 54 186 | 15 933 |
| Cash flow from/ (to) investment activities | | |
| Purchase of fixed assets | (16 729) | (6 791) |
| (Increase)/ decrease in long-term financial investments | (43 111) | (6 013) |
| (Increase) in issued loans | 13 984 | - |
| Net cash flow from/ (to) investment activities | (45 856) | (12 804) |
| Cash flow from/ (to) financing activities | | |
| Lease payments received/(returned) | 10 973 | (1 894) |
| Net cash from/ (to) investment activities | 10 973 | (1 894) |
| Net (decrease) in cash | 19 303 | 1 233 |
| Cash at the beginning of the period | 7 732 | 22 880 |
| Cash at the end of the period | 27 035 | 24 113 |

EUR exchange rate of the Bank of Latvia on 30 June 2007 – 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 unappro- priated result | Minority interest | Total |
|---------------------------------------|------------------|------------------|---|------------------------|-------------------|--|----------------------|----------------|
| Balance as of 31 December 2006 | 148 660 | 60 249 | (9 089) | 1 017 | 197 359 | 9 743 | 57 024 | 464 963 |
| Foreign currency translation | - | - | (4 329) | - | - | - | - | (4 329) |
| Current period result | - | - | - | - | - | 13 691 | - | 13 691 |
| Transfer of 2006 net result | - | - | - | - | 9 743 | (9 743) | - | - |
| Minority interest | - | - | - | - | - | - | 34 479 | 34 479 |
| Balance as of 30 June 2007 | 148 660 | 60 249 | (13 418) | 1 017 | 207 102 | 13 691 | 91 503 | 508 804 |

EUR exchange rate of the Bank of Latvia on 30 June 2007 – 0.702804 LVL