



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR THE NINE 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 (95.39%) 3 Balasta dambis, LV-1081, Riga SIA Mediju nams (99.47%) 31/2 Cesu street, LV-1012, Riga SIA Rīgas Līcis VN (100%) 51 Dubultu prospekts, LV-2015, Jūrmala SIA Nekustamie īpašumi VN (100%) 10 Palasta street, LV-1050, 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 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

Income Statement

| | Group | |
|---|---------------------|---------------------|
| | 9 months of 2007 | 9 months of 2006 |
| | LVL thousand | LVL thousand |
| Net sales | 62 825 | 52 494 |
| Cost of sales | (52 865) | (45 873) |
| Gross profit | 9 960 | 6 621 |
| Sales and distribution expense | (1 155) | (1 362) |
| General and administrative expense | (5 842) | (4 911) |
| Other operating income/(expense), net | 254 | 237 |
| Result from operating activities | 3 217 | 585 |
| Gain/ (loss) in subsidiaries and associated entities, net | 40 781 | 7 030 |
| Financial income/ (expense), net | (3 012) | (781) |
| Result before taxes | 40 986 | 6 834 |
| Corporate income tax | (4 004) | (1 077) |
| Net result before minority interest | 36 982 | 5 757 |
| Minority interest | (1 660) | (466) |
| Net result for the period | 35 322 | 5 291 |
| Earnings per share | | |
| in lats per share | 0,338 | 0,051 |

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

Balance Sheet

ASSETS

| | Group | | Reference |
|---|----------------|----------------|----------------|
| | 30/09/2007 | 31/12/2006 | 30/09/2006 |
| | LVL thousand | LVL thousand | LVL thousand |
| NON CURRENT ASSETS | | | |
| Intangible assets | 28 679 | 29 242 | 29 595 |
| Property, plant and equipment | | | |
| Land, buildings and networks | 76 247 | 77 216 | 74 770 |
| Investment properties | 31 687 | 31 687 | 26 757 |
| Machinery and equipment | 47 732 | 47 673 | 54 626 |
| Other property, plant and equipment | 3 896 | 4 575 | 4 734 |
| Construction in progress | 21 617 | 12 302 | 11 764 |
| Prepayments for property, plant and equipment | 992 | 3 043 | 4 407 |
| TOTAL | 182 171 | 176 496 | 177 058 |
| Investments | | | |
| Investments in subsidiaries and associated entities | 124 900 | 112 206 | 120 917 |
| Other long-term loans to corporate entities | 1 027 | 1 055 | 1 064 |
| Other long-term loans | 44 730 | - | - |
| TOTAL | 170 657 | 113 261 | 121 981 |
| TOTAL NON CURRENT ASSETS | 381 507 | 318 999 | 328 635 |
| CURRENT ASSETS | | | |
| Inventories | 5 052 | 6 011 | 9 094 |
| Current portion of long-term receivables | 42 | 42 | 42 |
| Trade accounts receivable | 3 876 | 7 232 | 5 691 |
| Other accounts receivable | 1 218 | 1 044 | 1 611 |
| Prepaid expense | 1 141 | 1 156 | 1 179 |
| Accrued income | 252 | 389 | 468 |
| Held-to-maturity investments | - | 9 828 | - |
| Trading investments | 51 | 51 | 51 |
| Cash and cash equivalents | 19 859 | 5 434 | 17 006 |
| TOTAL CURRENT ASSETS | 31 491 | 31 187 | 35 142 |
| TOTAL ASSETS | 412 998 | 350 186 | 363 777 |

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Group | | Reference |
|---|----------------|----------------|----------------|
| | 30/09/2007 | 31/12/2006 | 30/09/2006 |
| | LVL thousand | LVL thousand | LVL thousand |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 104 479 | 104 479 | 104 479 |
| Share premium | 42 343 | 42 343 | 42 343 |
| Foreign currency translation reserve | (9 430) | (6 388) | 4 732 |
| Restricted reserves | 715 | 715 | 715 |
| Other reserves | 145 552 | 138 705 | 150 665 |
| Previous period unappropriated result | - | - | (21 725) |
| Current period unappropriated result | 35 322 | 6 847 | 5 291 |
| MINORITY INTEREST | 64 516 | 40 077 | 42 414 |
| TOTAL SHAREHOLDERS' EQUITY | 383 497 | 326 778 | 328 914 |
| PROVISIONS | | | |
| Deferred corporate income tax | 5 817 | 5 817 | 15 932 |
| TOTAL PROVISIONS | 5 817 | 5 817 | 15 932 |
| LIABILITIES | | | |
| Long-term liabilities | | | |
| Long-term portion of financial lease liability | 10 988 | 1 092 | 1 537 |
| Long-term loan from credit institution | - | 1 844 | 4 453 |
| TOTAL | 10 988 | 2 936 | 5 990 |
| Current liabilities | | | |
| Short-term portion of long-term loan | 2 714 | 5 806 | 5 155 |
| Financial lease liabilities | 539 | 845 | 249 |
| Advances from customers | 135 | 62 | 518 |
| Trade accounts payable | 2 818 | 4 723 | 4 380 |
| Taxes payable | 645 | 521 | 475 |
| Other liabilities | 464 | 661 | 436 |
| Accrued liabilities | 5 159 | 1 779 | 1 466 |
| Deferred income | 222 | 258 | 262 |
| TOTAL | 12 696 | 14 655 | 12 941 |
| TOTAL LIABILITIES | 23 684 | 17 591 | 18 931 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 412 998 | 350 186 | 363 777 |

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

Statement of Cash Flows

| | Group | |
|--|-----------------------------|-----------------------------|
| | 9 months of 2007 | 9 months of 2006 |
| | LVL thousand | LVL thousand |
| Cash flow from/ (to) operating activities | | |
| Net Result | 35 322 | 5 291 |
| Adjustments | 21 397 | - |
| Amortisation and depreciaton | 7 384 | 7 802 |
| <i>Operating profit before changes in current assets and liabilities</i> | <i>64 103</i> | <i>13 093</i> |
| Decrease in inventory | 959 | (860) |
| Decrease/ (increase) in trade accounts receivable | 3 292 | 1 811 |
| Increase/ (decrease) in provisions | - | 1 077 |
| Increase/ (decrease) in current liabilities | (1 959) | 1 254 |
| Net cash from/ (to) operating activities | 66 395 | 16 375 |
| Cash flow from/ (to) investment activities | | |
| Purchase of fixed assets | (12 453) | (6 525) |
| (Increase)/ decrease in long-term financial investments | (57 396) | (7 001) |
| (Increase) in issued loans | 9 828 | - |
| Net cash flow from/ (to) investment activities | (60 021) | (13 526) |
| Cash flow from/ (to) financing activities | | |
| Lease payments received/(returned) | 8 052 | (1 922) |
| Net cash from/ (to) investment activities | 8 052 | (1 922) |
| Net (decrease) in cash | 14 425 | 926 |
| Cash at the beginning of the period | 5 434 | 16 080 |
| Cash at the end of the period | 19 859 | 17 006 |

Statement of Changes in Shareholders' Equity

Group

| | Share capital | Share premium | Foreign currency translation reserve | Restricted reserves | Other reserves | Current year unappropriated result | Minority interest | Total |
|--|----------------|---------------|--------------------------------------|---------------------|----------------|------------------------------------|-------------------|----------------|
| Balance as of 31 December 2006 | 104 479 | 42 343 | (6 388) | 715 | 138 705 | 6 847 | 40 077 | 326 778 |
| Foreign currency translation | - | - | (3 042) | - | - | - | - | (3 042) |
| Current period result | - | - | - | - | - | 35 322 | - | 35 322 |
| Transfer of 2006 net result | - | - | - | - | 6 847 | (6 847) | - | - |
| Minority interest | - | - | - | - | - | - | 24 439 | 24 439 |
| Balance as of 30 September 2007 | 104 479 | 42 343 | (9 430) | 715 | 145 552 | 35 322 | 64 516 | 383 497 |

Notes

LVL thousand

1. Net sales

| | <u>Group</u> | |
|--|-------------------------|-------------------------|
| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
| Reloading services | 21 424 | 8 588 |
| Railway services | 17 107 | 11 515 |
| Printing services | 9 136 | 12 737 |
| Newspaper sales | 1 572 | 1 610 |
| Advertisements | 740 | 764 |
| Income from sale of crude oil and oil products | 4 505 | - |
| Transportation of oil | - | 5 837 |
| Transportation of oil products | 7 649 | 8 351 |
| Rental income | 206 | 370 |
| Storage services | 268 | 2 658 |
| Other services | 218 | 64 |
| Total | <u>62 825</u> | <u>52 494</u> |

2. Cost of sales

| | <u>Group</u> | |
|--|-------------------------|-------------------------|
| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
| Depreciation | 6 384 | 6 704 |
| Amortisation intangible assets | 591 | 594 |
| Raw materials | 4 679 | 8 211 |
| Remuneration of work | 6 822 | 6 438 |
| Utilities | 884 | 946 |
| Insurance expenses | 1 574 | 1 676 |
| Social security contributions | 1 557 | 1 424 |
| Materials and spare parts | 1 946 | 859 |
| Transit development | 254 | 893 |
| Electricity | 755 | 718 |
| Treatment of technological waste water | 838 | 264 |
| Utilisation of piers | 1 306 | 605 |
| Land and fixed assets' rent | 570 | 569 |
| Security | 764 | 679 |
| Repair works done by other companies | 1 282 | 975 |
| Railway charges | 17 143 | 11 865 |
| Environment protection expense | 698 | 381 |
| Cost of sold oil and oil products | 2 573 | - |
| Communication expense | 85 | 129 |
| Helicopter services | 103 | 210 |
| Changes in inventory | 29 | -81 |
| Transport expenses | 140 | 167 |
| Other expenses | 1 888 | 1 647 |
| Total | <u>52 865</u> | <u>45 873</u> |

3. Sales and distribution expense

Group

| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
|--------------------------------|--------------------------------|--------------------------------|
| Sales and distribution expense | <u>1 155</u> | <u>1 362</u> |
| Total | <u>1 155</u> | <u>1 362</u> |

4. General and administrative expense

Group

| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
|--|--------------------------------|--------------------------------|
| Remuneration of work | 2 322 | 1 873 |
| Advertising and marketing | 526 | 435 |
| Social security contributions | 440 | 387 |
| Depreciation | 353 | 437 |
| Insurance | 74 | 125 |
| Professional charges and legal costs | 757 | 325 |
| Business trips | 123 | 78 |
| Communication expense | 81 | 67 |
| Rent of premises | 115 | 147 |
| Vehicle maintenance expense (incl. rent of vehicles) | 136 | 113 |
| Conferences, seminars and training | 29 | 33 |
| Representation expense | 92 | 84 |
| Security | 18 | 18 |
| Secondary costs of cash turnover | 79 | 57 |
| Social infrastructure expense | 65 | 63 |
| Other | <u>632</u> | <u>669</u> |
| Total | <u>5 842</u> | <u>4 911</u> |

5. Other operating income/ (expense), (net)

Group

| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
|---|--------------------------------|--------------------------------|
| Income from oil extracted from groundwater's and waste waters | 94 | 422 |
| Other income | 1 222 | 1 085 |
| Payments to local municipalities | -537 | -675 |
| Depreciation | -46 | -53 |
| Remuneration of work | -243 | -210 |
| Social security contributions | -51 | -34 |
| Vehicle maintenance expense | -29 | -33 |

| | | | |
|---------------|-------|-------------|-------------|
| Other expense | | <u>-156</u> | <u>-265</u> |
| | Total | <u>254</u> | <u>237</u> |

6. Financial income/(expense), net

Group

| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
|---|-------------------------|-------------------------|
| Foreign currency exchange gain(loss) | -4 646 | -604 |
| Interest income on loans | 1 744 | - |
| Interest income from bank account balances and deposits | 474 | 322 |
| Interest expense | -806 | -570 |
| Other income | <u>222</u> | <u>71</u> |
| Total | <u>-3 012</u> | <u>-781</u> |

7. Taxes

Group

| | <u>9 months of 2007</u> | <u>9 months of 2006</u> |
|----------------------|-------------------------|-------------------------|
| Corporate income tax | -4 004 | -1 077 |

8. 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>30.09.2007.</u> | <u>31.12.2006.</u> | <u>Legal address</u> |
|----------------------------------|--------------------|--------------------|--|
| <u>Subsidiaries</u> | | | |
| SIA "Ventspils nafta" termināls" | 51 | 100 | Talsu street 75, LV-3602, Ventspils, Latvia |
| SIA "LatRosTrans" | 66 | 66 | Balvu street 7, LV-5043, Daugavpils Latvia |
| AS "Preses nams" | 95,39 | 93,01 | Balasta dambis 3, LV-1081, Riga, Latvia |
| SIA "Mediju nams"* | 99,47 | 99,47 | 31/2 Cesu street, LV-1012, Riga, Latvia |
| SIA "Nekustamie īpašumi VN" | 100 | 100 | 10 Palasta street, LV-1050, Riga, Latvia |
| SIA "Rīgas līcis VN" | 100 | 100 | Dubultu prospekts 51, LV-2015, Jurmala, Latvia |
| | <u>30.09.2007.</u> | <u>31.12.2006.</u> | |
| <u>Associated entities</u> | | | |
| SIA "Futbola klubs Ventspils" | 42,50 | 30 | Dzintaru street 20a, LV-3602, Ventspils, Latvia |

| | | | |
|-----------------------------|-------|-------|--|
| SIA "Mediji un Poligrāfija" | 32,7 | 32,7 | Balasta dambis 3, LV-1081, Riga, Latvia |
| Likvidējamā SIA "Ventshoes" | - | 21,44 | Mičurina street 6, LV-3601, Ventspils, Latvia |
| AS "Latvijas Kuģniecība" | 49,94 | 49,94 | Basteja bulvāris 2, LV 1807, Riga, Latvia |

* As of 30 September 2007, AS Ventspils nafta has a 92,37% shareholding of SIA Mediju nams. At the same time, AS Preses nams owns 7,63% of the share capital of SIA Mediju nams. As such, the Group's ownership share is 99,47%.