



AS VENTSPILS NAFTA

(UNIFIED REGISTRATION NUMBER 50003003091)

UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR 2007

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Ventspils, 2008

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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 (99.73%) 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

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 11 to 15 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 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

Unaudited report of 2007

Dear shareholders, clients and cooperation partners,

The reporting period for the public holding 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 Terminals Ltd); transport of crude oil and petroleum products via pipelines (LatRosTrans Ltd); printing (JSC Preses nams); real estate management and development (companies of Nekustamie Īpašumi VN Ltd, 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 Latvian Shipping Company, 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 has exceeded 81 million lats during the reporting period, which is 11.7 million lats more than in 2006. The net profit of JSC Ventspils nafta Group was 49.5 million lats during the reporting period – 42.6 million lats or seven times 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 Latvian Shipping Company, 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 Latvian - Russian joint company LatRosTrans Ltd being owner and operator of crude oil and petroleum products pipelines in the territory of Latvia. Exchange rate fluctuations also effected 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 about increasing its influence at JSC Ventspils nafta to 47.89% thereby becoming the major and strategic investor of JSC Ventspils nafta. In line with 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 business field.

On February 21, 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 JSC Ventspils nafta subsidiary – crude oil and petroleum product transshipment company Ventspils nafta terminals Ltd. Taking into account the aforementioned resolution, Euromin Holdings (Cyprus) Limited purchased 49% of Ventspils nafta terminals Ltd shares. After conclusion of this transaction, JSC Ventspils nafta continued to hold controlling interest the terminal. 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 regionally significant joint venture is established.

The transaction between JSC Ventspils nafta and Euromin Holdings (Cyprus) Limited provides that 90 million USA dollars are paid for 49% of Ventspils nafta terminals Ltd shares. Vitol Group on their part also guarantees delivery of cargoes 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 terminals 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 cargoes at Ventspils nafta terminals Ltd and to retain the role of significant investor at JSC Ventspils nafta holding company.

Ventspils Nafta Terminals 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 Terminals 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 Terminals 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 terminals 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 the handled diesel has increased considerably in 2007 since Ventspils nafta terminals Ltd successfully resumed receiving it via pipeline. Handling amount of diesel 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 cargoes 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 cargoes. Ventspils Nafta Terminals Ltd also handled 1.7 million tons of fuels of various grades in 2007. Transshipment increase trend for Ventspils Nafta Terminals Ltd is continuing also after the end of the reporting period – increase of crude oil and petroleum product cargoes handled continues in January 2008.

During the reporting period, Ventspils Nafta Terminals 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 owner and 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 Mažeiki oil-processing plant. Oil transshipment in the direction of Lithuania was partially ensured by LatRosTrans Ltd. Tension in the relations between Russia and Lithuania, unfortunately affected also activity of LatRosTrans Ltd and JSC Ventspils nafta Group in the global transit system, started already in 2006 when the shares of Lithuanian company Mažeikiu 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 without monetary losses with positive earnings before interest, taxes, depreciation and amortization (EBITDA).

During the reporting period, LatRosTrans Ltd launched NPS Skrudaliena commercial registration and control facility of petroleum product, thereby ensuring automatic and more precise control of petroleum product flow in the pipeline. The total investments of LatRosTrans Ltd in construction of new registration and control facility have reached more than 6 million USA dollars. LatRosTrans Ltd has operated actively on elimination of supernormative 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 supernormative loss of petroleum products were established at LatRosTrans Ltd in 2007, affirming effectiveness of the measures implemented by the company.

During the reporting period, JSC Ventspils nafta subsidiary JSC Preses nams, which is the largest printing company in Latvia and the Baltic States, continued implementation of large-scale organizational and functional changes in order to achieve company's business objectives and to ensure maximum operational efficiency by planning to reallocate a printing complex in new production plants outside the central part of Riga and by optimizing the production process. JSC Preses nams has defined milestones as to when construction work of the new production units of printing house for magazines, newspapers and books will be finished. It is planned that the modern book production plant of the JSC Preses nams printing complex located at Jāņsili, Silakrogs at the Ropaži civil parish will start working already in summer 2008, and the new production plant for newspapers and magazines in the territory of the technology park of the Riga International Airport in the end of 2008.

In 2007, JSC Preses nams put intense work into introduction of the latest technical and technological solutions meeting the up-to-date requirements for execution of customer orders, therefore offering its customers the utmost advantageous services, allowing to both increase production efficiency and decrease costs. The most up-to-date book printing equipment is used at the JSC Preses nams printing house, for example, for particularly precise production of carton book covers and integrated binding, as well as for offset sheet printing. Complete introduction of new technologies and operation of equipment in the new printing plants is planned in 2008.

The amount of services provided by JSC Preses nams to Latvian customers increased during the reporting period, reaching 83% of the total amount of services provided by the company. The wide range of printing services and advantageous geographical location of JSC Preses nams has allowed to maintain its positions in the newspaper and journal production segment, continuing stable operation in the book and sheet production and labeling segment in a highly competitive market conditions.

The positive operating results achieved by JSC Latvian Shipping Company, 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 Latvian Shipping Company has received already 11 new constructions of tankers from Croatian and Korean shipyards 3.Maj and Hyundai Mipo Dockyard Co., Ltd. (HMD) since July 7, 2006. Execution 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 Latvian Shipping Company 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 Vitol Group Company increased its influence on this supervisory institution of JSC Ventspils nafta in 2007 upon its representatives additionally taking one of the three positions of Deputy Chairmen of the Supervisory Council. As from July 20, 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 Group value.

Chairperson of the Management Board for
JSC Ventspils nafta

O. Pētersone

Income Statement

	Group	
	2007	2006
	EUR thousand	EUR thousand
Net sales	115 271	98 619
Cost of sales	(101 633)	(90 116)
Gross profit	13 638	8 503
Sales and distribution expense	(2 279)	(2 671)
General and administrative expense	(11 675)	(10 183)
Other operating income/(expense), net	37 664	864
Result from operating activities	37 348	(3 487)
Gain/ (loss) in subsidiaries and associated entities, net	59 749	13 502
Financial income/ (expense), net	(5 851)	(1 901)
Result before taxes	91 246	8 114
Corporate income tax	(1 838)	(1 033)
Net result before minority interest	89 408	7 081
Minority interest	(18 994)	2 662
Net result for the period	70 414	9 743
 Earnings per share		
in EUR per share	0,67	0,10

EUR exchange rate of the Bank of Latvia on 31 December 2007 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

Balance Sheet

ASSETS

	Group	
	31/12/2007	31/12/2006
	EUR thousand	EUR thousand
NON CURRENT ASSETS		
Intangible assets	40 525	41 608
Property, plant and equipment		
Land, buildings and networks	143 186	109 868
Investment properties	45 149	45 087
Machinery and equipment	74 156	67 833
Other property, plant and equipment	6 952	6 510
Construction in progress	34 264	17 504
Prepayments for property, plant and equipment	1 248	4 330
TOTAL	304 955	251 132
Investments		
Investments in subsidiaries and associated entities	167 661	159 655
Other long-term loans to corporate entities	484	1 501
Other long-term receivables	61 980	-
TOTAL	230 125	161 156
TOTAL NON CURRENT ASSETS	575 605	453 896
CURRENT ASSETS		
Inventories	6 201	8 553
Current portion of long-term receivables	60	60
Trade accounts receivable	6 245	10 290
Other accounts receivable	2 260	1 485
Prepaid expense	1 961	1 645
Accrued income	359	552
Held-to-maturity investments	-	13 984
Trading investments	73	73
Cash and cash equivalents	27 907	7 732
TOTAL CURRENT ASSETS	45 066	44 374
TOTAL ASSETS	620 671	498 270

EUR exchange rate of the Bank of Latvia on 31 December 2007 – 0.702804 LVL

On behalf of the Board:

Olga Pētersone
 Chairperson of the Board

LIABILITIES AND SHAREHOLDERS' EQUITY

	Group	
	31/12/2007	31/12/2006
	EUR thousand	EUR thousand
SHAREHOLDERS' EQUITY		
Share capital	148 660	148 660
Share premium	60 249	60 249
Foreign currency translation reserve	(25 193)	(9 089)
Restricted reserves	1 017	1 017
Other reserves	207 102	197 359
Previous period unappropriated result	-	-
Current period unappropriated result	70 414	9 743
MINORITY INTEREST	108 429	57 024
TOTAL SHAREHOLDERS' EQUITY	570 678	464 963
PROVISIONS		
Other provisions	46	-
Deferred corporate income tax	10 115	8 277
TOTAL PROVISIONS	10 161	8 277
LIABILITIES		
Long-term liabilities		
Long-term portion of financial lease liability	20 016	1 554
Long-term loan from credit institution	-	2 624
TOTAL	20 016	4 178
Current liabilities		
Short-term portion of long-term loan	4 348	8 261
Financial lease liabilities	2 837	1 202
Advances from customers	1 027	88
Trade accounts payable	5 582	6 720
Taxes payable	899	741
Other liabilities	706	942
Accrued liabilities	4 121	2 531
Deferred income	295	367
TOTAL	19 815	20 852
TOTAL LIABILITIES	39 832	25 030
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	620 671	498 270

EUR exchange rate of the Bank of Latvia on 31 December 2007 – 0.702804 LVL

On behalf of the Board:

 Olga Pētersone
 Chairperson of the Board

Statement of Cash Flows

	Group	
	2007	2006
	EUR thousand	EUR thousand
Cash flow from/ (to) operating activities		
Net Result	70 414	9 743
Adjustments	(16 104)	-
Amortisation and depreciaiton	13 879	14 834
Operating profit before changes in current assets and liabilities	68 189	24 577
Decrease/(increase) in inventory	2 352	3 163
Decrease/ (increase) in trade accounts receivable	3 090	(13 254)
Increase/ (decrease) in provisions	1 884	(5 455)
Increase/ (decrease) in current liabilities	(1 036)	(748)
Net cash from/ (to) operating activities	74 479	8 283
Cash flow from/ (to) investment activities		
Purchase of fixed assets	(15 156)	(11 362)
(Increase)/ decrease in long-term financial investments	(68 970)	(9 962)
(Increase)/decrease in issued loans	13 984	-
Net cash flow from/ (to) investment activities	(70 142)	(21 324)
Cash flow from/ (to) financing activities		
Increase/ (decrease) in loans and leases	15 838	(2 107)
Net cash from/ (to) financing activities	15 838	(2 107)
Net increase(decrease) in cash	20 175	(15 148)
Cash at the beginning of the period	7 732	22 880
Cash at the end of the period	27 907	7 732

EUR exchange rate of the Bank of Latvia on 31 December 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	-	-	(16 104)	-	-	-	-	(16 104)
Current period result	-	-	-	-	-	70 414	-	70 414
Transfer of 2006 net result	-	-	-	-	9 743	(9 743)	-	-
Minority interest	-	-	-	-	-	-	51 405	51 405
Balance as of 31 December 2007	148 660	60 249	(25 193)	1 017	207 102	70 414	108 429	570 678

EUR exchange rate of the Bank of Latvia on 31 December 2007 – 0.702804 LVL