



# **AS VENTSPILS NAFTA**

(UNIFIED REGISTRATION NUMBER 50003003091)

## **UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS OF 2008**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

## **CONTENTS**

<b>General information</b>	<b>3</b>
<b>Council of AS Ventspils nafta</b>	<b>5</b>
<b>Board of AS Ventspils nafta</b>	<b>5</b>
<b>Income Statement</b>	<b>6</b>
<b>Balance Sheet</b>	<b>7</b>
<b>Statement of Cash Flows</b>	<b>9</b>
<b>Statement of Changes in Shareholders' Equity</b>	<b>10</b>
<b>Notes</b>	<b>11</b>

## 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	<p>SIA LatRosTrans (66%) 7 Balvu street, LV-5043, Daugavpils</p> <p>SIA Ventspils nafta termināls (51%) 75 Talsu street, LV-3600, Ventspils</p> <p>AS Preses nams (95.39%) 3 Balasta dambis, LV-1081, Riga</p> <p>SIA Mediju nams (99.73%) 31/2 Cesu street, LV-1012, Riga</p> <p>SIA Rīgas Līcis VN (100%) 51 Dubultu prospekts, LV-2015, Jūrmala</p> <p>SIA Nekustamie īpašumi VN (100%) 10 Palasta street, LV-1050, Riga</p>
Associated entities of the Group	<p>AS Latvijas kuģniecība (49.94%) 2 Basteja bulvāris, LV-1807, Riga</p> <p>SIA Mediji un Poligrāfija (32.70%) 3 Balasta dambis, LV-1081, Riga</p> <p>SIA Futbola klubs Ventspils (42.50%) 20a Dzintaru iela, LV-3602, Ventspils</p>

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 Lejastiežumi (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** till 26/02/2008

**Ilva Purēna**

**Guntis Tīrmanis**

**Normunds Staņēvičs** from 26/02/2008

## Income Statement

	<b>Group</b>	
	<b>9 months of 2008</b>	<b>9 months of 2007</b>
	<b>LVL thousand</b>	<b>LVL thousand</b>
<b>Net sales</b>	<b>58 596</b>	<b>62 825</b>
Cost of sales	(58 412)	(52 865)
<b>Gross profit</b>	<b>184</b>	<b>9 960</b>
Sales and distribution expense	(1 570)	(1 155)
General and administrative expense	(6 182)	(5 842)
Other operating income/(expense), net	5 068	254
<b>Result from operating activities</b>	<b>(2 500)</b>	<b>3 217</b>
Gain/ (loss) in subsidiaries and associated entities, net	15 897	40 781
Financial income/ (expense), net	(801)	(3 012)
<b>Result before taxes</b>	<b>12 596</b>	<b>40 986</b>
Corporate income tax	(26)	(4 004)
<b>Net profit</b>	<b>12 570</b>	<b>36 982</b>
<b>Attributable to:</b>		
Minority interest	(1 395)	1 660
<b>Parent company's shareholders</b>	<b>13 965</b>	<b>35 322</b>
Earnings per share		
in lats per share	0,134	0,338

On behalf of the Board:

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Olga Pētersone  
Chairperson of the Board

## Balance Sheet

### ASSETS

	<b>Group</b>		<b>Reference</b>
	<b>30/09/2008</b>	<b>31/12/2007</b>	<b>30/09/2007</b>
	LVL thousand	LVL thousand	LVL thousand
<b>NON CURRENT ASSETS</b>			
<b>Intangible assets</b>	<b>27 932</b>	<b>28 481</b>	<b>28 679</b>
<b>Property, plant and equipment</b>			
Land, buildings and networks	106 852	100 856	76 247
Investment properties	35 311	31 731	31 687
Machinery and equipment	52 043	55 003	47 732
Other property, plant and equipment	4 397	4 882	3 896
Construction in progress	19 318	20 740	21 617
Prepayments for property, plant and equipment	283	877	992
<b>TOTAL</b>	<b>218 204</b>	<b>214 089</b>	<b>182 171</b>
<b>Investments</b>			
Investments in subsidiaries and associated entities	124 891	117 891	124 900
Other long-term loans to corporate entities	322	340	1 027
Other long-term receivables	43 740	43 560	44 730
<b>TOTAL</b>	<b>168 953</b>	<b>161 791</b>	<b>170 657</b>
<b>TOTAL NON CURRENT ASSETS</b>	<b>415 089</b>	<b>404 361</b>	<b>381 507</b>
<b>CURRENT ASSETS</b>			
Inventories	3 920	4 358	5 052
Trade accounts receivable	3 230	4 347	3 876
Other accounts receivable	2 854	3 277	2 653
Trading investments	-	51	51
Cash and cash equivalents	19 388	19 613	19 859
<b>TOTAL CURRENT ASSETS</b>	<b>29 392</b>	<b>31 646</b>	<b>31 491</b>
<b>TOTAL ASSETS</b>	<b>444 481</b>	<b>436 007</b>	<b>412 998</b>

On behalf of the Board:

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Olga Pētersone  
Chairperson of the Board

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Group		Reference
	30/09/2008	31/12/2007	30/09/2007
	LVL thousand	LVL thousand	LVL thousand
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	104 479	104 479	104 479
Share premium	42 343	42 343	42 343
Foreign currency translation reserve	(26 871)	(17 889)	(9 430)
Restricted reserves	715	715	715
Other reserves	195 153	145 552	145 552
Current period unappropriated result	13 965	49 601	35 322
MINORITY INTEREST	74 422	75 856	64 516
<b>TOTAL SHAREHOLDERS'EQUITY</b>	<b>404 206</b>	<b>400 657</b>	<b>383 497</b>
<b>PROVISIONS</b>			
Deferred corporate income tax	7 052	7 052	5 817
<b>TOTAL PROVISIONS</b>	<b>7 052</b>	<b>7 052</b>	<b>5 817</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Long-term portion of lease liabilities	13 663	14 067	10 988
Long-term loan from credit institution	6 311	-	-
<b>TOTAL</b>	<b>19 974</b>	<b>14 067</b>	<b>10 988</b>
<b>Current liabilities</b>			
Short-term portion of long-term loan	3 011	3 056	2 714
Financial lease liabilities	1 144	1 994	539
Advances from customers	815	644	135
Trade accounts payable	4 968	3 908	2 818
Taxes payable	697	737	645
Other liabilities	717	943	686
Accrued liabilities	1 897	1 691	5 159
Provisions	-	1 258	-
<b>TOTAL</b>	<b>13 249</b>	<b>14 231</b>	<b>12 696</b>
<b>TOTAL LIABILITIES</b>	<b>33 223</b>	<b>28 298</b>	<b>23 684</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>444 481</b>	<b>436 007</b>	<b>412 998</b>

On behalf of the Board:

Olga Pētersone  
Chairperson of the Board



## Statement of Cash Flows

	Group	
	9 months of	9 months of
	2008	2007
	LVL thousand	LVL thousand
<b>Cash flow from/ (to) operating activities</b>		
Net Result	13 965	35 322
Adjustments	(13 451)	21 397
Amortisation and depreciatoin	6 928	7 384
<b>Operating profit before changes in current assets and liabilities</b>	<b>7 442</b>	<b>64 103</b>
Decrease/(increase) in inventory	438	959
Decrease/ (increase) in trade accounts receivable	1 540	3 292
Increase/ (decrease) in current liabilities	(982)	(1 959)
<b>Net cash from/ (to) operating activities</b>	<b>8 438</b>	<b>66 395</b>
<b>Cash flow from/ (to) investment activities</b>		
Purchase of fixed assets	(7 458)	(12 453)
(Increase)/ decrease in long-term financial investments	(7 162)	(57 396)
(Increase)/decrease in issued loans	51	9 828
<b>Net cash flow from/ (to) investment activities</b>	<b>(14 569)</b>	<b>(60 021)</b>
<b>Cash flow from/ (to) financing activities</b>		
Increase/(decrease) in loans and leases	5 907	8 052
<b>Net cash from/ (to) financing activities</b>	<b>5 907</b>	<b>8 052</b>
<b>Net increase (decrease) in cash</b>	<b>(225)</b>	<b>14 425</b>
<b>Cash at the beginning of the period</b>	<b>19 613</b>	<b>5 434</b>
<b>Cash at the end of the period</b>	<b>19 388</b>	<b>19 859</b>

## Statement of Changes in Shareholders' Equity

### Group

	Share capital	Share premium	Foreign currency translation reserve	Restricted reserves	Other reserves	Current year unappro- priated result	Minority interest	Total
<b>Balance as of 31 December 2007</b>	<b>104 479</b>	<b>42 343</b>	<b>(17 889)</b>	<b>715</b>	<b>145 552</b>	<b>49 601</b>	<b>75 856</b>	<b>400 657</b>
Foreign currency translation	-	-	(8 982)	-	-	-	-	(8 982)
Current period result	-	-	-	-	-	13 965	-	13 965
Transfer of 2007 net result	-	-	-	-	49 601	(49 601)	-	-
Minority interest	-	-	-	-	-	-	(1 434)	(1 434)
<b>Balance as of 30 September 2008</b>	<b>104 479</b>	<b>42 343</b>	<b>(26 871)</b>	<b>715</b>	<b>195 153</b>	<b>13 965</b>	<b>74 422</b>	<b>404 206</b>

## Notes

### LVL thousand

#### 1. Net sales

	<u>Group</u>	
	<u>9 months of 2008</u>	<u>9 months of 2007</u>
Reloading services	16 702	21 424
Railway services	21 625	17 107
Printing services	8 742	9 136
Newspaper sales	1 568	1 572
Advertisements	814	740
Income from sale of crude oil and oil products	1 557	4 505
Transportation of oil products	5 623	7 649
Rental income	198	206
Storage services	298	268
Other services	<u>1 469</u>	<u>218</u>
Total	<u>58 596</u>	<u>52 825</u>

#### 2. Cost of sales

	<u>Group</u>	
	<u>9 months of 2008</u>	<u>9 months of 2007</u>
Depreciation	6 386	6 975
Raw materials	3 791	4 679
Remuneration of work	6 959	6 822
Utilities	1 599	884
Insurance expenses	1 596	1 574
Social security contributions	1 252	1 557
Materials and spare parts	1 768	1 946
Transit development	276	254
Treatment of technological waste water	1 357	838
Utilisation of piers	1 421	1 306
Land and fixed assets' rent	590	570
Security	738	764
Repair works done by other companies	3 864	1 282
Railway charges	21 640	17 143
Environment protection expense	1 357	698
Cost of sold oil and oil products	669	2 573
Communication expense	80	85
Helicopter services	99	103
Other expenses	<u>2 970</u>	<u>2 812</u>
Total	<u>58 412</u>	<u>52 865</u>

		<u>Group</u>	
<b>3. Sales and distribution expense</b>		<b><u>9 months of 2008</u></b>	<b><u>9 months of 2007</u></b>
Sales and distribution expense		<u>1 570</u>	<u>1 155</u>
Total		<u>1 570</u>	<u>1 155</u>

		<u>Group</u>	
<b>4. General and administrative expense</b>		<b><u>9 months of 2008</u></b>	<b><u>9 months of 2007</u></b>
Remuneration of work		2 532	2 322
Advertising and marketing		651	526
Social security contributions		435	440
Depreciation		378	353
Insurance		62	74
Professional charges and legal costs		871	757
Business trips		120	123
Communication expense		72	81
Rent of premises		187	115
Vehicle maintenance expense		98	136
Conferences, seminars and training		52	29
Security		18	18
Representation expense		120	92
Secondary costs of cash turnover		81	79
Social infrastructure expense		88	65
Other		<u>417</u>	<u>632</u>
Total		<u>6 182</u>	<u>5 842</u>

		<u>Group</u>	
<b>5. Other operating income/ (expense), (net)</b>		<b><u>9 months of 2008</u></b>	<b><u>9 months of 2007</u></b>
Income from oil extracted from groundwater's and waste waters		448	94
Other income		336	1 222
Payments to local municipalities		-548	-537
Depreciation		-45	-46
Remuneration of work		-239	-294
Vehicle maintenance expense		-26	-29
Assets value changes		6 000	-

Other expense		<u>-858</u>	<u>-156</u>
	Total	<u>5 068</u>	<u>254</u>

## 6. Financial income/(expense), net

### Group

	<u>9 months of 2008</u>	<u>9 months of 2007</u>
Foreign currency exchange gain(loss)	16	-4 646
Interest income on loans	126	1 744
Interest income from bank account balances and deposits	186	474
Interest expense	-1 129	-806
Other income	-	<u>222</u>
Total	<u>-801</u>	<u>-3 012</u>

## 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>30.09.2008.</u>	<u>31.12.2007.</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	95,39	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Mediju nams"	99,73	99,73	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>30.09.2008.</u>	<u>31.12.2007.</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
AS "Latvijas Kuģniecība"	49,94	49,94	Basteja bulvāris 2, LV 1807, Riga, Latvia

\* As of 30 September 2008, AS Ventspils nafta has a 94,23% shareholding of SIA Mediju nams. At the same time, AS Preses nams owns 5,77% of the share capital of SIA Mediju nams. As such, the Group's ownership share is 99,73%.