



# **AS VENTSPILS NAFTA**

(UNIFIED REGISTRATION NUMBER 50003003091)

## **UNAUDITED CONSOLIDATED FINANCIAL REPORT FOR 2008**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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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

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## 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

## Management Report of AS Ventspils nafta

Unaudited report of the parent company and the Group, 2008

### Dear shareholders, clients and cooperation partners,

Due to global and national economic turmoil, year 2008 presented numerous challenges and complicated issues for the public JSC *Ventspils nafta* Group meanwhile forcing for immediate assessment and reevaluation of the company's further development scenarios for timely response and maximum efficiency and effectiveness - resulting in sustainable and optimal future growth model. As a result of a comprehensive risk analysis, Supervisory Council for JSC *Ventspils nafta* approved the company's development strategy in December 2008 focusing specialization on development on transit industry related assets as oppose to functions previously pursued by the holding in wider industry range that JSC *Ventspils nafta* Group implemented for several years as a result of active business industry risk diversification policy. By optimizing and reorganizing core business focus JSC *Ventspils nafta* Group as of beginning of 2009 following end of previous reporting period, the parent company manages investments into the transit area – transportation, storage, transshipment of crude oil and petroleum products and international shipping business.

The decision to refocus all attention to development of the historical core business of JSC *Ventspils nafta* in transit industry was made in accordance with recommendations and based on local and international experts and advisers with the main intention to ensure adequate return on investments in the interests of all shareholders of JSC *Ventspils nafta* in the conditions of global economic turmoil. The selected strategy enables JSC *Ventspils nafta* to focus on one industry area, focusing on growth and improvement of its assets, especially taking into account several decades of experience and success in this industry, as well as the international *know-how*, which has been actively acquired particularly in the recent years along with involvement of the international shareholder – oil and gas transport and trade conglomerate *Vitol Group*.

By selling JSC *Ventspils nafta* assets in the areas not related to transit business, the company's long-term assets were transformed in assets of high liquidity, whereas the shareholders of JSC *Ventspils nafta* have gained significant profit, as the JSC *Ventspils nafta* parent company's profit after tax reached 40.2 million lats in 2008 according to the results of unaudited report of JSC *Ventspils nafta* for 2008. The shareholders of JSC *Ventspils nafta* will decide at the general shareholders' meeting about utilization of this profit, which also reflects the profit gained from the transaction implemented as a result of reorganization of JSC *Ventspils nafta* Group.

According to the unaudited report of JSC *Ventspils nafta* for 2008, the JSC *Ventspils nafta* Group's consolidated profit after tax in the reporting period amounts to 20.8 million lats, which is almost four times more than was planned in the JSC *Ventspils nafta* Group's consolidated budget for 2008, which was 5.3 million lats. According to the unaudited report for 2008, consolidated net turnover of JSC *Ventspils nafta* Group in the reporting period has reached 78.5 million lats, which is 18.5 million lats more than in the planned consolidated budget of JSC *Ventspils nafta* for 2008.

In line with the approved strategy, following the end of the reporting period as of beginning of 2009, JSC *Ventspils nafta* is developing and retaining its investments into the subsidiary of crude oil and petroleum products transshipment company *Ventspils nafta termināls* Ltd (51%), the subsidiary being owner and operator of crude oil and petroleum products pipeline *LatRosTrans* Ltd (66%) and the associated company JSC *Latvian Shipping Company* (49.94%). Whereas it has sold investments into the subsidiary real property management company *Nekustamie īpašumi VN* Ltd (100%) and the subsidiary real property management company *Rīgas Ičis VN* Ltd (100%), as well as real properties in Riga, Bļieķu Street 3; Ventspils, Talsu Street 75d; Jūrmala, Dubultu prospect 51 and *Lejastiezumi* at Renda civil parish, Kuldīga district. JSC *Ventspils nafta*

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has also disposed of its shareholdings in the subsidiary printing company JSC *Preses nams* (95.4%) and the subsidiary publisher *Mediju nams* Ltd (95.63%).

The year 2008 can be characterized by sharp recession and downturn of financial as well as economic results worldwide, and it has considerably influenced the Baltic stock exchange market, which comprises also the *NASDAQ OMX* stock exchange in Riga, in whose official list the shares of JSC *Ventspils nafta* are officially quoted. In the reporting period, the price of JSC *Ventspils Nafta* shares in the Riga Stock Exchange ranged from LVL 0.68 to LVL 2.40 (average price – LVL 1.92). In the reporting period, in total 1'440 thousand shares were sold in 2'344 transactions, reaching the annual turnover of 2'767 thousand lats, which is 62,6% less than in 2007. Share market capitalization of JSC *Ventspils Nafta* was 73.1 million lats as at December 31, 2008.

The average price of JSC *Ventspils nafta* shares in 2008 was 69 santims lower than in 2007 when it reached LVL 2.61. Whereas the average market capitalization of JSC *Ventspils Nafta* shares has decreased from 272.6 million lats in 2007 to 200.8 million lats in 2008, i.e. by 71.8 million lats or by 26.3% corresponding to decline in the average share price. The decline in share price is a result of general trends in the global financial instruments markets, the macroeconomic situation and high inflation level in the reporting period in Latvia. However, it has to be taken into account that the average turnover in transactions with JSC *Ventspils nafta* shares per day in 2008 was only 7.6 thousand lats or 0.004% of the average share market capitalization amount. Therefore the market value calculation by usage of insignificant amount of public share market transactions is not representative, as the liquidity level is too low.

In the reporting period, JSC *Ventspils nafta* proved its ability of working also in conditions of the global economic downturn that has notably affected several JSC *Ventspils nafta* subsidiaries working in international markets. At the same time, the economic processes in 2008 globally and in Latvia have confirmed that the conservative planning of JSC *Ventspils nafta* has been prudent and adequate by regularly assessing and planning potential influence of external factors on the operations and financial results of holding companies.

The JSC *Ventspils nafta* subsidiary *Ventspils nafta termināls* Ltd ensured stable cargo volume level in the reporting period by transshipping in total more than 11.6 million tons of crude oil and petroleum products. Similar to previous years the major proportion of cargos is formed by diesel representing 8.7 million tons delivered by rail and via petroleum products pipeline, followed by 1.4 million tons of gasoline of various grades delivered by rail and 1.1 million tons of crude oil and petroleum product cargos delivered by sea. Events in the global economy, the unfavorable global oil market situation in the last months of the reporting period and the international competition in the transit area have had and after the end of the reporting period still have a significant impact on operating results of *Ventspils nafta termināls* Ltd, which were affected several months in the reporting period also by the repair works of the main petroleum products pipeline Polotsk-Ventspils in the territory of Belarus, which resulted in a reduced diesel fuel flow in the direction of Ventspils.

At the same time, *Ventspils nafta termināls* Ltd continued active implementation of modernization in 2008, by optimizing company's operational processes and procedures, increasing workforce efficiency and introducing higher requirements in terms of environment protection, thereby adapting to the new economic conditions and strengthening its positions in international market. The aim of modernization is to strengthen the positions of *Ventspils nafta termināls* Ltd as the major crude oil and petroleum products transshipment complex in the Baltic region, by developing its work by following similar principles as in other companies under the *Vitol* Group worldwide, such as *EuroTank* in Rotterdam and Amsterdam. For forming successful social dialogue and forming a good social partnership through collective agreement, *Ventspils nafta termināls* Ltd received the annual award *Cooperation Partner 2008* from the Free Trade Union Confederation of Latvia in the nomination *Private Enterprises*.

The most remarkable contribution that *Ventspils nafta termināls* Ltd made into improvement of environment protection in the reporting period was launching the new, modern wastewater treatment plant that is unique in the Baltic region. The plant is fully compliant for treatment for any type of petroleum products and represents the typical operations of SIA *Ventspils nafta termināls*, that is characterized by variety of transshipped petroleum products – at the present moment, the terminal receives and transships more than 20 types of petroleum products. The company has invested about 1 million lats in the treatment plant.

According to the previous forecasts of JSC *Ventspils nafta*, in the reporting period, external circumstances still substantially affected another Group's company *LatRosTrans* Ltd, which is working in the sensitive transit area. Oil transportation in the direction of Lithuania via the pipeline owned by *LatRosTrans* Ltd is still not resumed due to the geopolitical situation, and technical reasons, such as repair works at the pipeline sections in the territory of Belarus and corresponding decrease in its capacity, influenced also transportation volumes of petroleum products in direction of Ventspils, as its total transshipment volume has reached 5 million tons in 2008. The reserves amounting to 10 million lats in the unaudited consolidated report of JSC *Ventspils nafta* Group demonstrates the conservative attitude of *LatRosTrans* Ltd shareholders towards possibilities of renewing oil transportation flow via pipelines to Ventspils and Butinge (Lithuania).

According to the approved schedule, *LatRosTrans* Ltd continued renovation and repair works of the petroleum products pipeline in the reporting period. As before, *LatRosTrans* Ltd has actively worked 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.

During these financially and economically difficult times *LatRosTrans* Ltd has been continuously decreasing company's operating expenses for already several years, and decrease of 6.7% was achieved in the particular reporting period.

In the reporting period, the JSC *Ventspils nafta* associated company JSC *Latvian Shipping Company* has been continuing to pursue its strategic goal— ensuring increase of the Group's value and retaining its position among the top ten medium range tanker owners in the world. According to the unaudited report for 2008, JSC *Latvian Shipping Company* Group worked with net profit of 58.6 million US dollars in the reporting period. In comparison with the result of analogue period in 2007, the last year's profit is 8.4 million US dollars or 13% lower, reflecting general unfavourable shipping market trends in the reporting period, especially in the end of it.

In the circumstances of global financial and economic turmoil, JSC *Ventspils nafta* is taking appropriate actions to reduce risks and ensure profit, by careful, focused and purposeful managing of assets owned by it as well as resourcefully planning to achieve goals set by shareholders.

Chairperson of the Management Board for  
JSC *Ventspils nafta*

O.Pētersone



## Income Statement

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	LVL thousand	LVL thousand
<b>Net sales</b>	<b>78 470</b>	<b>82 003</b>
Cost of sales	(76 783)	(72 185)
<b>Gross profit</b>	<b>1 687</b>	<b>9 818</b>
Sales and distribution expense	(2 112)	(1 595)
General and administrative expense	(9 254)	(7 982)
Other operating income/(expense), net	13 937	52 266
<b>Result from operating activities</b>	<b>4 258</b>	<b>52 507</b>
Gain/ (loss) in subsidiaries and associated entities, net	14 035	17 136
Financial income/ (expense), net	(9)	(4 117)
<b>Result before taxes</b>	<b>18 284</b>	<b>65 526</b>
Corporate income tax	90	(1 332)
<b>Net profit</b>	<b>18 374</b>	<b>64 194</b>
<b>Attributable to:</b>		
Minority interest	(2 445)	14 593
<b>Parent company's shareholders</b>	<b>20 819</b>	<b>49 601</b>
Earnings per share		
in lats per share	0,199	0,475

On behalf of the Board:

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Olga Pētersone  
 Chairperson of the Board

## Balance Sheet

### ASSETS

	Group	
	31/12/2008	31/12/2007
	LVL thousand	LVL thousand
<b>NON CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>27 598</b>	<b>28 481</b>
<b>Property, plant and equipment</b>		
Land, buildings and networks	82 993	100 856
Investment properties	-	31 731
Machinery and equipment	37 983	55 003
Other property, plant and equipment	3 763	4 882
Construction in progress	1 043	20 740
Prepayments for property, plant and equipment	214	877
TOTAL	<b>125 996</b>	<b>214 089</b>
<b>Investments</b>		
Investments in subsidiaries and associated entities	134 135	117 891
Long-term loan to related parties	41 557	-
Other long-term loans to corporate entities	313	340
Other long-term receivables	44 590	43 560
TOTAL	<b>220 595</b>	<b>161 791</b>
<b>TOTAL NON CURRENT ASSETS</b>	<b>374 189</b>	<b>404 361</b>
<b>CURRENT ASSETS</b>		
Inventories	2 429	4 358
Short-term loans to related parties	547	-
Trade accounts receivable	1 443	4 347
Accounts receivable from related party	22 475	-
Other accounts receivable	3 931	3 277
Trading investments	-	51
Cash and cash equivalents	35 726	19 613
<b>TOTAL CURRENT ASSETS</b>	<b>66 551</b>	<b>31 646</b>
<b>TOTAL ASSETS</b>	<b>440 740</b>	<b>436 007</b>

On behalf of the Board:

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Olga Pētersone  
 Chairperson of the Board

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Group	
	31/12/2008	31/12/2007
	LVL thousand	LVL thousand
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	104 479	104 479
Share premium	42 343	42 343
Foreign currency translation reserve	(15 856)	(17 889)
Restricted reserves	715	715
Other reserves	195 153	145 552
Current period unappropriated result	20 819	49 601
MINORITY INTEREST	73 174	75 856
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>420 827</b>	<b>400 657</b>
<b>PROVISIONS</b>		
Deferred corporate income tax	1 296	7 052
<b>TOTAL PROVISIONS</b>	<b>1 296</b>	<b>7 052</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Long-term portion of lease liabilities	-	14 067
<b>TOTAL</b>	<b>-</b>	<b>14 067</b>
<b>Current liabilities</b>		
Short-term portion of long-term loan	-	3 056
Financial lease liabilities	14	1 994
Advances from customers	727	644
Trade accounts payable	2 417	3 908
Accounts payable to related party	102	-
Taxes payable	5 344	737
Other liabilities	246	943
Accrued liabilities	1 771	1 691
Provisions	-	1 258
Deferred income	7 996	-
<b>TOTAL</b>	<b>18 617</b>	<b>14 231</b>
<b>TOTAL LIABILITIES</b>	<b>18 617</b>	<b>28 298</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>440 740</b>	<b>436 007</b>

On behalf of the Board:

Olga Pētersone  
 Chairperson of the Board

## Statement of Cash Flows

	Group	
	2008	2007
	LVL thousand	LVL thousand
<b>Cash flow from/ (to) operating activities</b>		
Net Result	20 819	49 601
Adjustments	-	(11 432)
Amortisation and depreciaiton	11 355	9 754
<b>Operating profit before changes in current assets and liabilities</b>	<b>32 174</b>	<b>47 923</b>
Decrease/(increase) in inventory	1 929	1 653
Decrease/ (increase) in trade accounts receivable	(20 772)	2 172
Increase/ (decrease) in provisions	(5 756)	1 324
Increase/ (decrease) in current liabilities	4 386	(728)
<b>Net cash from/ (to) operating activities</b>	<b>11 961</b>	<b>52 344</b>
<b>Cash flow from/ (to) investment activities</b>		
Purchase of fixed assets	76 972	(10 652)
(Increase)/ decrease in long-term financial investments	(58 804)	(48 472)
(Increase)/decrease in issued loans	51	9 828
<b>Net cash flow from/ (to) investment activities</b>	<b>18 219</b>	<b>(49 296)</b>
<b>Cash flow from/ (to) financing activities</b>		
Increase/(decrease) in loans and leases	(14 067)	11 131
<b>Net cash from/ (to) financing activities</b>	<b>(14 067)</b>	<b>11 131</b>
<b>Net increase (decrease) in cash</b>	<b>16 113</b>	<b>14 179</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>35 726</b>	<b>19 613</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	<b>Total</b>
<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	-	-	2 033	-	-	-	-	2 033
Current period result	-	-	-	-	-	20 819	-	20 819
Transfer of 2007 net result	-	-	-	-	49 601	(49 601)	-	-
Minority interest	-	-	-	-	-	-	(2 682)	(2 682)
<b>Balance as of 31 December 2008</b>	<b>104 479</b>	<b>42 343</b>	<b>(15 856)</b>	<b>715</b>	<b>195 153</b>	<b>20 819</b>	<b>73 174</b>	<b>420 827</b>

## Notes

### LVL thousand

#### 1. Net sales

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
Reloading services	22 393	27 558
Railway services	28 799	22 964
Printing services	9 780	12 091
Newspaper sales	2 051	2 060
Advertisements	1 052	1 054
Income from sale of crude oil and oil products	4 411	5 493
Transportation of oil products	7 223	9 850
Storage services	126	395
Other services	<u>2 636</u>	<u>538</u>
Total	<u>78 470</u>	<u>82 003</u>

#### 2. Cost of sales

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
Depreciation	11 002	9 335
Raw materials	6 472	8 090
Remuneration of work	9 678	10 274
Utilities	1 599	1 381
Insurance expenses	1 401	2 084
Social security contributions	2 133	2 326
Materials and spare parts	312	1 220
Electricity	955	989
Treatment of technological waste water	1 744	1 516
Utilisation of piers	1 840	1 785
Land rent	773	740
Security	1 169	1 083
Repair works done by other companies	1 871	798
Railway charges	28 821	23 007
Environment protection expense	1 488	1 309
Cost of sold oil and oil products	1 228	2 573
Guarantor services	1 851	161
Other expenses	<u>2 447</u>	<u>3 514</u>
Total	<u>76 783</u>	<u>72 185</u>

**3. General and administrative expense**

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
Remuneration of work	4 246	3 140
Advertising and marketing	649	740
Social security contributions	572	523
Depreciation	427	493
Insurance	55	101
Professional charges and legal costs	883	1 124
Accruals for non-current assets impairment	656	166
Communication expense	62	102
Rent of premises	103	127
Vehicle maintenance expense	173	187
Secondary costs of cash turnover	87	102
Social infrastructure expense	211	116
Other	<u>1 130</u>	<u>1 061</u>
Total	<u>9 254</u>	<u>7 982</u>

**4. Other operating income/ (expense), (net)**

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
Income from oil extracted from groundwater's and waste waters	453	94
Other income	688	296
Reversal of impairment loss for property, plant and equipment	-	30 770
Income from sold non current assets	5 433	-
Gain from revaluation of investments properties	-	44
Income from sale of shares in related companies	23 890	26 694
Penalties received	6	3
Payments to local municipalities	-880	-865
Cost of non current assets written-off	-192	-955
Impairment of non current assets	-10 000	-2 406
Depreciation	-52	-61
Remuneration of work	-302	-425
Sponsorship	-928	-180
Provisions	-2 822	-44
Other expense	<u>-1 356</u>	<u>-699</u>
Total	<u>13 937</u>	<u>52 266</u>

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

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
Foreign currency exchange gain(loss)	579	-6 450
Interest income on loans	348	2 511
Interest income from bank account balances and deposits	543	928
Interest expense	-1 479	-1 106
Total	<u>-9</u>	<u>-4 117</u>

## 6. 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>31.12.2008.</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	Balasta dambis 3, LV-1081, Riga, Latvia
SIA "Mediju nams"	-	99,73	31/2 Cesu street, LV-1012, Riga, Latvia
SIA "Nekustamie īpašumi VN"	-	100	10 Palasta street, LV-1050, Riga, Latvia
SIA "Rīgas līcis VN"	-	100	Dubultu prospekts 51, LV-2015, Jurmala, Latvia
	<u>31.12.2008.</u>	<u>31.12.2007.</u>	
<u>Associated entities</u>			
SIA "Futbola klubs Ventspils"	-	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



## 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 16 are prepared in accordance with source documents and fairly present the financial position of the Company as at 31 December 2007 and 2008 and operating results for the year of 2007 and 2008, 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