



JSC VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONSOLIDATED FINANCIAL REPORT
FOR THE NINE MONTHS OF 2010**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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General information

Name of the company	JSC Ventspils nafta
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004
Legal address	Vaļņu street 3-18, LV-1050, Riga, Republic of Latvia
Subsidiaries of JSC Ventspils nafta	LatRosTrans Ltd (66%) 7 Balvu street, LV-5043, Daugavpils Ventspils nafta termināls Ltd (51%) 75 Talsu street, LV-3602, Ventspils
Associated entities of the Group	JSC Latvian Shipping Company (49.94%) Elizabetes street 1, LV-1807, Riga, Latvia Futbola klubs Ventspils Ltd (21.25%) 20a Dzintaru street, LV-3602, Ventspils

Supervisory Council of JSC *Ventspils nafta*

Supervisory Council (as at the date of signing the financial statements):

Appointed:

Chairman of the Council:	Vladimir Egger
Deputy Chairman of the Council:	Mikhail Dvorak
Members of the Council:	Javed Ahmed Oļegs Stepanovs Rubel Yilmaz Mark Ware Christophe Theophanis Matsacos Rudolf Meroni Michael Hason David Alexander Schlaff Edgars Jansons

The changes in the Council during the period from 1 January 2010 to 22 November 2010 were as follows:

Elected	Dismissed	Name	Position held
20/01/2010	-	Vladimir Egger	Chairman of the Council
20/01/2010	-	Mikhail Dvorak	Deputy Chairman of the Council
20/01/2010	-	Oļegs Stepanovs	Member of the Council
20/01/2010	-	Javed Ahmed	Member of the Council
20/01/2010	-	Rubel Yilmaz	Member of the Council
20/01/2010	-	Mark Ware	Member of the Council
07/07/2010	-	Christophe Theophanis Matsacos	Member of the Council
07/07/2010	-	Rudolf Meroni	Member of the Council
07/07/2010	-	Michael Hason	Member of the Council
07/07/2010	-	David Alexander Schlaff	Member of the Council
07/07/2010	-	Edgars Jansons	Member of the Council
20/01/2010	07/07/2010	Paul Thomas	Member of the Council
20/01/2010	07/07/2010	Gatis Grāvītis	Member of the Council
20/01/2010	07/07/2010	Mārtiņš Kvēps	Member of the Council
20/01/2010	07/07/2010	Valērijs Godunovs	Member of the Council
20/01/2010	07/07/2010	Aleksejs Ovods	Member of the Council

According to the Council's resolution of 31 August 2010 Vladimir Egger has been re-elected as the Chairman of the Supervisory Council and Mikhail Dvorak has been elected as deputy chairman of the Supervisory Council.

Management Board of JSC *Ventspils nafta*

Management Board (as at the date of signing the financial statements):

Appointed:

Chairman of the Board:

Simon Boddy

Members of the Board:

Andris Vilcmeiers

Boris Bednov

Alexander Jagdžijanc

The changes in the Board during the period from 1 January 2010 to 22 November 2010 were as follows:

Elected	Dismissed	Name	Position held
28/04/2010	-	Boris Bednov	Member of the Board
28/04/2010	-	Alexander Jagdžijanc	Member of the Board
16/06/2010	-	Andris Vilcmeiers	Member of the Board
-	28/04/2010	Normunds Staņēvičs	Member of the Board
-	16/06/2010	Ilva Purēna	Member of the Board

According to the Council's resolution of 20 January 2010, Simon Boddy was appointed as the Chairman of the Board.

Consolidated statement of comprehensive income

	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Revenue	40 608	53 367
Cost of sales	(29 312)	(48 625)
Gross profit	11 296	4 742
General and administrative expense	(2 850)	(3 874)
Other operating income	241	647
Other operating expense	(1 758)	(1 389)
Share of (loss)/ profit in associate	(7 526)	161
Financial income	4 302	2 322
Profit before tax	3 705	2 609
Corporate income tax	(1 217)	(298)
Net profit for the period	2 488	2 311
Attributable to:		
Non-controlling interest	3 957	1 625
Parent company's shareholders	(1 469)	686
	2 488	2 311
Other comprehensive income		
Foreign currency translation resulting from investment in associate	14 143	6 019
Total comprehensive income for the period, net of tax	16 631	8 330
Attributable to:		
Non-controlling interest	3 957	1 625
Parent company's shareholders	12 674	6 705
	16 631	8 330
(Loss)/ earnings per share (Lats per share)		
attributable to the Parent company's shareholders:		
Diluted and basic (loss)/ earnings per share	(0.014)	0.007

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Consolidated statement of financial position

	<u>30.09.2010</u>	<u>31.12.2009</u>	<u>30.09.2009</u>
	LVL thousand	LVL thousand	LVL thousand
Assets			
Non-current asset			
Intangible assets	26 218	26 810	27 007
Property, plant and equipment	129 090	131 122	132 138
Investments in associated entities	127 687	121 071	131 632
Loan note	46 530	44 010	43 200
Other non-current financial assets	257	281	292
Total non-current assets	329 782	323 294	334 269
Current assets			
Inventories	1 600	2 050	2 080
Trade accounts receivable	858	33	952
Receivables from related companies	28 380	30 550	42 099
Other receivables	1 513	2 306	2 513
Cash and cash equivalents	34 134	23 967	61 346
Total current assets	66 485	58 906	108 990
Total assets	396 267	382 200	443 259

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Consolidated statement of financial position (cont'd)

	30.09.2010	31.12.2009	30.09.2009
	LVL thousand	LVL thousand	LVL thousand
Equity and liabilities			
Equity			
Issued capital	104 479	104 479	104 479
Share premium	42 343	42 343	42 343
Legal reserve	715	715	715
Reserves resulting from investment in associates	(2 448)	(16 591)	(9 767)
Other reserves	170 685	174 423	224 254
(Loss)/ profit for the period	(1 469)	(3 738)	686
Equity attributable to equity holders of the parent	314 305	301 631	362 710
Non-controlling interest	74 731	73 959	74 773
Total equity	389 036	375 590	437 483
Non-current liabilities			
Deferred corporate income tax liability	1 776	1 588	1 495
Deferred income	1 763	383	-
	3 539	1 971	1 495
Current liabilities			
Advances from customers	74	74	74
Trade accounts payable	995	1 866	869
Payables to related companies	-	27	-
Taxes payable	378	280	376
Other liabilities	1 819	1 930	2 325
Deferred income	106	43	-
Provisions	320	419	-
Unpaid dividends	-	-	637
	3 692	4 639	4 281
Total liabilities	7 231	6 610	5 776
Total liabilities and equity	396 267	382 200	443 259

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Consolidated statement of cash flows

	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Operating activities		
Profit before tax	3 705	2 609
Non-cash adjustments to reconcile profit before tax to net cash flows		
Amortisation and depreciation	6 831	6 958
Interest income	(1 232)	(2 840)
Share of net loss/ (profit) of associate	7 526	(161)
Construction in progress written off	243	-
Foreign exchange gain /(loss)	(2 520)	1 350
Loss on disposal of property, plant and equipment	234	123
	14 787	8 039
Working capital adjustments:		
Decrease in inventories	450	348
Decrease in trade accounts receivable and receivables from related parties	3 628	3 521
Decrease in liabilities	(1 327)	(2 557)
	17 538	9 351
Corporate income tax paid	(174)	(5 994)
Net cash flows from operating activities	17 364	3 357
Investing activities		
Purchase of intangibles and property, plant and equipment	(4 736)	(2 558)
Proceeds from sale of property, plant and equipment and investment properties	52	4 178
Proceeds from disposal of investment	-	43
Proceeds from sale of subsidiaries	-	18 200
Interest received	513	1 823
Net cash flows from investing activities	(4 171)	21 686
Financing activities		
Dividends paid	(3 026)	-
Proceeds from borrowings	-	547
Net cash flows from financing activities	(3 026)	547
Net increase in cash and cash equivalents	10 167	25 590
Cash and cash equivalents at the beginning of the period	23 967	35 756
Cash and cash equivalents at the end of the period	34 134	61 346

Consolidated statement of changes in equity**Group**

	Attributable to the equity holders of the Parent							Non-controlling interest	Total shareholders' equity
	Share capital	Share premium	Legal reserve	Reserves resulting from investment in associates	Other reserves	Total			
	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand	LVL thousand		
Balance as of 31 December 2009	104 479	42 343	715	(16 591)	170 685	301 631	73 959	375 590	
Loss for the period	-	-	-	-	(1 469)	(1 469)	3 957	2 488	
Other comprehensive income	-	-	-	14 143	-	14 143	-	14 143	
Total comprehensive income	-	-	-	14 143	(1 469)	12 674	3 957	16 631	
Dividends	-	-	-	-	-	-	(3 185)	(3 185)	
Balance as of 30 September 2010	104 479	42 343	715	(2 448)	169 216	314 305	74 731	389 036	

Notes

1. Net revenues

	Group	
	9 months of 2010 LVL thousand	9 months of 2009 LVL thousand
Reloading of crude oil and oil products	22 046	19 360
Railway services	10 978	28 674
Transportation of oil products	7 584	5 333
TOTAL:	40 608	53 367

2. Cost of sales

	Group	
	9 months of 2010 LVL thousand	9 months of 2009 LVL thousand
Railway charges	10 977	28 692
Amortization and depreciation	6 678	6 778
Remuneration for work	3 766	4 095
Repair works done by other companies	1 420	1 322
Utilization of piers	1 033	1 385
Social security contributions	909	980
Electricity	877	655
Utilities	795	853
Land rent	595	601
Insurance expenses	507	737
Environment protection expense	419	603
Treatment of technological waste water	256	211
Security	248	812
Raw materials	57	289
Fee for utilisation of technological reserves	-	208
Other	775	404
TOTAL:	29 312	48 625

3. General and administrative expense

	Group	
	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Remuneration for work	1 154	1 628
Professional charges and legal costs	616	587
Social security contributions	277	392
Advertising and marketing expense	133	254
Amortization and depreciation	120	142
Rent of premises	77	85
Other personnel expense	70	59
Vehicle maintenance expense	57	106
Communication expense	32	46
Bank charges	27	29
Conferences, seminars and training	18	56
Insurance fees	9	49
Other administrative expense	260	441
TOTAL:	2 850	3 874

4. Other operating income

	Group	
	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Income from oil extracted from groundwater and waste waters	69	-
Income from realization of oil/ oil products	18	371
Other income	154	276
TOTAL:	241	647

5. Other operating expense

	Group	
	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Payments to local municipality	707	739
Construction in progress object written off	243	-
Maintenance of premises and territory	186	-
Personnel expenses	151	152
Provisions for new sanitation objects	100	-
Amortization and depreciation	33	39
Maintenance of transport vehicles	24	23
Impairment of investment	-	123
Other expenses	314	313
TOTAL:	1 758	1 389

6. Financial income

	Group	
	9 months of 2010	9 months of 2009
	LVL thousand	LVL thousand
Foreign currency exchange gain/ (loss), net	2 690	(1 041)
Interest income from loans	1 219	2 474
Interest income from bank account balances and deposits	393	889
TOTAL:	4 302	2 322

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>30.09.2010.</u>	<u>31.12.2009.</u>	<u>Legal address</u>
<u>Subsidiaries</u>			
Ventspils nafta termināls Ltd.	51	51	Talsu street 75, LV-3602, Ventspils, Latvia
LatRosTrans Ltd.	66	66	Balvu street 7, LV-5043, Daugavpils Latvia
	<u>30.09.2010.</u>	<u>31.12.2009.</u>	
<u>Associated entities</u>			
Futbola klubs Ventspils Ltd.	21,25	21,25	Dzintaru street 20a, LV-3602, Ventspils, Latvia
JSC Latvian Shipping Company	49,94	49,94	Elizabetes street 1, LV-1807, Riga, Latvia