



**JSC VENTSPILS NAFTA**  
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**  
FOR THE FIRST QUARTER OF 2012

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## General information

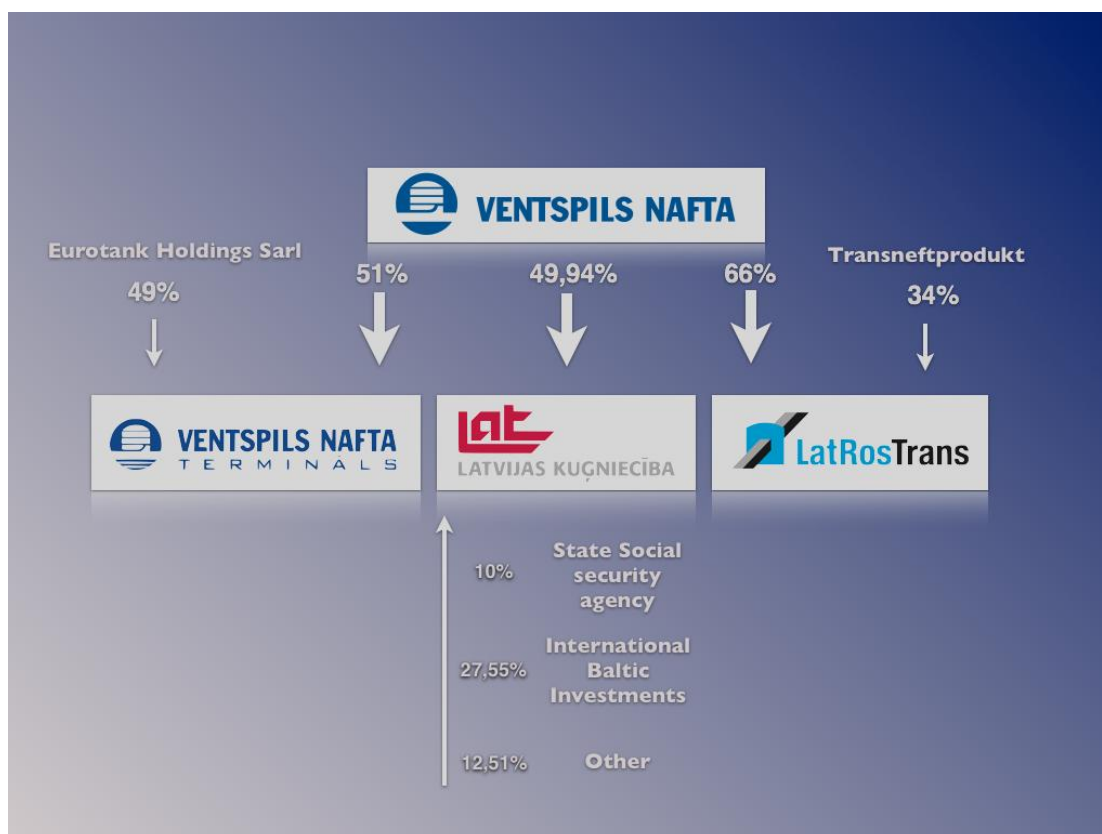
Name of the company	<i>JSC Ventspils nafta</i>
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004
Legal address	Vaļņu street 3-18, LV-1050, Riga, Republic of Latvia
Subsidiaries of <i>JSC Ventspils nafta</i>	<i>LatRosTrans Ltd</i> (66%) LRDS "Ilukste", Sederes pagasts, Ilukstes novads, LV-5474  <i>Ventspils nafta termināls Ltd</i> (51%) 75 Talsu street, LV-3602, Ventspils  <i>JSC Latvian Shipping Company</i> (49.94%) Elizabetes street 1, LV-1807, Riga, Latvia

## General information (cont'd)

### About JSC *Ventspils nafta*

**Our mission.** We are one of the largest groups of companies in Latvia. The basic principle of work of the *Ventspils nafta* Group's companies is to provide services of high quality, ensuring storage and transport of petroleum products both by pipeline and by ships to clients in different countries worldwide. That is accomplished by continuously modernizing and developing the company's infrastructure and service quality. Our priority is organizing transportation and storage processes that are safe for the environment, as well as constantly increasing the company's value.

**Our vision.** We want to become a globally recognized petroleum product transport and storage group of companies, which ensures outstanding service quality and meets high environment protection and corporate responsibility standards.



JSC *Ventspils nafta* is the Group's parent company, which manages investments in the Group's companies, by promoting the Group's joint values and growth in value of each individual company.

The main activities carrying out by subsidiaries of JSC *Ventspils nafta* are as follows:

*Ltd LatRosTrans* – transporting oil products via pipeline;

*Ltd Ventspils nafta termināls* – reloading and storage of crude oil and oil products and oil products delivered by rail;

*JSC Latvian Shipping Company* – marine shipping business.

## Review of shares

### Information of share price dynamics for the period from 01.01.2012 till 31.03.2012



### Securities information

ISIN	LV0000100816
Ticker	VNF1R
Market	BALTIC MAIN LIST
Nominal value	1.00 LVL
Total number of securities	104 479 519
Number of listed securities	60 598 121
Listing date	20.10.1998
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBGI, OMXBPI, OMXRGI

### Securities trading information

Price	2008	2009	2010	2011	Q1 2012
Open	2.2	0.7	0.92	1.449	1.200
High	2.4	1.5	1.89	1.479	1.259
Low	0.68	0.59	0.91	1.013	1.100
Last	0.7	0.94	1.4	1.2	1.155
Traded volume	1,439,542	900,402	1,492,345	1,632,287	25,464
Turnover, million LVL	2.77	0.89	2.22	2.32	0.03
Capitalisation, million LVL	73.14	98.21	146.27	125.38	120.67

## **Supervisory Council of JSC *Ventspils nafta***

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Mikhail Dvorak
Members of the Council:	Javed Ahmed
	Rubil Yilmaz
	Mark Ware
	Christophe Theophanis Matsacos
	Rudolf Meroni
	David Guy Anstis
	Jānis Hāze
	David Alexander Schlaff
	Aivars Gobiņš

There were no changes in the Council during the period from 1 January 2012 to 24 May 2012.

According to the Council's resolution of 27 February 2012 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.

## Supervisory Council of JSC Ventspils nafta (cont'd)

### Professional experience of the members of the Supervisory Council

**Vladimir Egger** has worked as the Chairman of the Supervisory Council of Ventspils Nafta since January 20, 2010. He has almost 30 years of professional experience in the field of commodities trading. He was appointed to the position of Chief Representative in the Vitol Group's company VNT SA in Moscow. Prior to working for Vitol, he was the Managing Director of the company Lukoil Asia Pacific based in Singapore and Beijing, China. He holds a Bachelor of Arts degree in Economics and a Master of Business Administration degree. Mr Vladimir Egger does not possess any Ventspils nafta shares.

**Mikhail Dvorak** has worked as the Deputy Chairman of the Supervisory Council of Ventspils Nafta since January 20, 2010. He is also a member of the Audit Committee at the Company. He was appointed as the Financial Controller of Vitol Group and Finance Director at Vitol Group's companies in the former Soviet Union countries. He was also appointed as a member of the Supervisory Council of LatRosTrans Ltd on behalf of Ventspils Nafta AS on January 29, 2010. Mr Mikhail Dvorak does not possess any Ventspils nafta shares.

**Rubel Yilmaz** has worked as a member of the Supervisory Council of Ventspils Nafta since January 20, 2010. He is the Chief Financial Director of VTTI (Vitol Tank Terminals International). He was appointed as a member of the Supervisory Council of Ventspils nafta terminals Ltd. Mr Rubel Yilmaz does not possess any Ventspils nafta shares.

**Mark Morrell Ware** has worked as a member of the Supervisory Council of Ventspils Nafta since January 20, 2010. He is the Director of Corporate Affairs for the Vitol Group. Prior to joining Vitol he had been working for BP plc in different positions and countries for 28 years. In his last position with BP (2002 – 2007) he was the Group Vice President, Communication and External Affairs. Mr Mark Morrell Ware does not possess any Ventspils nafta shares.

**Javed Ahmed** has worked as a member of the Supervisory Council of Ventspils Nafta since January 20, 2010. He was appointed as the Head of Acquisitions and Investments for Vitol Group, Board Member of the Group Vitol Tank Terminals International, and Board Member of the company Blue Knight Energy Partners. He holds a Juris Doctor degree from Harvard University, a Master of Business Administration degree from Harvard University, and a Bachelor's degree from Yale University. Mr Javed Ahmed does not possess any Ventspils nafta shares.

**Christophe Theophanis Matsacos** has worked as a member of the Supervisory Council of Ventspils Nafta since July 7, 2010. He joined the Finance Team of Vitol in 2008. He is posted in the Representative Office of Vitol in Moscow with responsibility for business development in Russia and the former CIS countries. He has a banking background and joined Vitol from VTB Europe (London) (formerly Moscow Narodny Bank), where he was responsible for oil business development, in trade finance and structured trade finance, in Russia and CIS countries. Mr Christophe Theophanis Matsacos does not possess any Ventspils nafta shares.

**David Anstis** is currently on the Management Board of several stevedoring companies in Ventspils. Previously, he worked for Moore Stephens LLP, Chartered Accountants, in London, where he was a partner in the International Business Group, focusing on clients in the maritime industry. Mr David Anstis does not possess any Ventspils nafta shares.

## **Supervisory Council of JSC *Ventspils nafta* (cont'd)**

### **Professional experience of the members of the Supervisory Council (cont'd)**

**Jānis Hāze** was a member of Management Board of JSC Latvijas Nafta Tranzits. Mr Jānis Hāze does not possess any *Ventspils nafta* shares.

**Rudolf Meroni** has worked as a member of the Supervisory Council of *Ventspils Nafta* since July 7, 2010. He was the Chairman of the Supervisory Council of JSC Latvijas Nafta Tranzits in 2010 and 2011. Mr Meroni has a legal practice in Switzerland. Mr Rudolf Meroni does not possess any *Ventspils nafta* shares.

**David Alexander Schlaff** has worked as a member of the Supervisory Council of *Ventspils Nafta* since November 22, 2011. He also works as the Chief Investment Officer of the company M-Tel Holding GmbH. Since 2007 he is a member of the Supervisory Council of Latrobe Specialty Steel Company – one of the largest steel producers in the USA. Since 2010 he is also member of the Supervisory Council of RHI AG, which is one of the leading manufacturers of fire-resistant products. Previously he was a member of the Management Board at LH Financial. Mr David Alexander Schlaff does not possess any *Ventspils nafta* shares.

**Aivars Gobiņš** has worked as a member of the Supervisory Council of *Ventspils Nafta* since November 22, 2011. He is the Chairman of the Baltic Association Transport and Logistics and a member of the Management Board of *Ventspils Commercial Port*. He is also the Deputy Chairman of the Supervisory Council of *Baltijas Ekspressis*. Mr Aivars Gobiņš does not possess any *Ventspils nafta* shares.



## Management Board of JSC *Ventspils nafta*

Chairman of the Board:	Simon Boddy
Members of the Board:	Boris Bednov Aleksej Tarasov

There were no changes in the Management Board during the period from 1 January 2012 to 24 May 2012.

### Professional experience of the members of the Management Board

**Simon Boddy** has worked as the Chairman of the Management Board of *Ventspils Nafta* since January 20, 2010. He has worked in the oil business for more than 30 years. After gaining a degree in Mathematics from the University of Oxford, he worked for the energy company Shell and then for BP. In 1989 he joined the Vitol Group and has held senior positions in trading, refinery supply and economics, and as the Chief Representative in Vitol's Moscow office from 2006 to 2008. He was appointed as a Board Member of Vitol Tank Terminals International and is also a qualified United Kingdom Barrister. He holds a post-graduate diploma in Law from the College of Law of England and Wales in London. Mr. Simon Boddy does not possess any *Ventspils nafta* shares.

**Boris Bednov** has worked as a member of the Management Board of *Ventspils Nafta AS* since April 28, 2010. He is an oil industry professional. He began his career in the oil and transit business in 1982 as a Refinery Engineer. Since 1993 he has been working as Oil Trader. He has been the Head of the Lithuanian office of Vitol, based in Mazeikai, since 1996. He has graduated the D. Mendeleev University of Chemical Technology of Russia. Mr. Boris Bednov does not possess any *Ventspils nafta* shares.

**Aleksej Tarasov** has worked as a member of the Management Board of *Ventspils Nafta AS* since January 6, 2011. He has worked for *Mazekiu Nafta* since 1986. In 1997, he joined the Vitol Lithuania office and since then has continuously worked there as Technical Specialist. Main fields of his expertise include logistics, transportation, storage, and product quality preservation. He graduated in Engineering from St-Petersburg VVMURE Academy (currently Naval Institute of Radioelectronics, VVMURE named after A.S. Popov). Mr. Aleksej Tarasov does not possess any *Ventspils nafta* shares.

## Consolidated income statement

For the period ended 31 March 2012

	1Q 2012	1Q 2011 (restated)	1Q 2012	1Q 2011 (restated)
	LVL'000	LVL'000	EUR '000	EUR '000
Revenue	36 781	28 844	52 335	41 041
Cost of goods sold	(30 413)	(23 233)	(43 274)	(33 058)
<b>Gross profit</b>	<b>6 368</b>	<b>5 611</b>	<b>9 061</b>	<b>7 983</b>
General and administrative expense	(2 099)	(2 207)	(2 987)	(3 140)
Selling costs	-	(1)	-	(1)
Other operating income	210	324	299	461
Other operating expense	(263)	(243)	(374)	(346)
Impairment of other non-financial assets	(8 314)	-	(11 830)	-
Finance income	414	448	589	637
Finance costs	(3 015)	(2 593)	(4 290)	(3 690)
<b>(Loss)/ Profit before tax</b>	<b>(6 699)</b>	<b>1 339</b>	<b>(9 532)</b>	<b>1 904</b>
Corporate income tax	(238)	(244)	(339)	(347)
<b>(Loss)/ Profit for the period</b>	<b>(6 937)</b>	<b>1 095</b>	<b>(9 871)</b>	<b>1 557</b>
Attributable to:				
Parent company's shareholders	(3 392)	605	(4 827)	860
Non-controlling interest	(3 545)	490	(5 044)	697
	<b>(6 937)</b>	<b>1 095</b>	<b>(9 871)</b>	<b>1 557</b>
(Loss)/ Profit per share attributable to the Parent company's shareholders:	LVL (0,03)	LVL 0,006	EUR (0,04)	EUR 0,008
(Loss)/ Profit per share	LVL (0,07)	LVL 0,010	EUR (0,09)	EUR 0,015

On behalf of the Management Board:

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 Simon Boddy  
 Chairman of the Management Board

## Consolidated statement of comprehensive income

For the period ended 31 March 2012

	1Q 2012	1Q 2011 (restated)	1Q 2012	1Q 2011 (restated)
	LVL'000	LVL'000	EUR '000	EUR '000
<b>(Loss)/ Profit for the period</b>	<b>(6 937)</b>	<b>1 095</b>	<b>(9 871)</b>	<b>1 557</b>
<b>Other comprehensive (loss)/ income</b>				
- Foreign currency revaluation reserve	(4 051)	(10 396)	(5 762)	(14 792)
- Cash flow hedge reserve	74	493	105	701
<b>Other comprehensive loss for the period</b>	<b>(3 977)</b>	<b>(9 903)</b>	<b>(5 657)</b>	<b>(14 091)</b>
<b>Total comprehensive loss for the period</b>	<b>(10 914)</b>	<b>(8 808)</b>	<b>(15 528)</b>	<b>(12 534)</b>
Attributable to:				
Parent company's shareholders	(5 378)	(4 341)	(7 652)	(6 178)
Non-controlling interests	(5 536)	(4 467)	(7 876)	(6 356)
	<b>(10 914)</b>	<b>(8 808)</b>	<b>(15 528)</b>	<b>(12 534)</b>

On behalf of the Management Board:

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Simon Boddy  
 Chairman of the Management Board

## Consolidated statement of financial position

As at 31 March 2012

	31.03.2012. LVL'000	31.12.2011. LVL'000	31.03.2012. EUR '000	31.12.2011. EUR '000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	25 342	25 361	36 059	36 085
Property, plant and equipment	413 000	401 397	587 648	571 136
Investment properties	879	883	1 251	1 256
Investments in associated entities	7	7	10	10
Loans to affiliated companies	47 759	47 759	67 955	67 955
Other non-current financial assets	25 635	25 753	36 475	36 643
<b>Total non-current assets</b>	<b>512 622</b>	<b>501 160</b>	<b>729 398</b>	<b>713 085</b>
<b>Current assets</b>				
Inventories	3 742	2 949	5 324	4 196
Trade and other receivables	12 300	25 571	17 501	36 384
Short term deposits	14 557	18 045	20 713	25 676
Other current financial assets	15 973	16 100	22 728	22 909
Cash and cash equivalents	47 312	33 343	67 319	47 443
	<b>93 884</b>	<b>96 008</b>	<b>133 585</b>	<b>136 608</b>
Assets classified as held for sale	-	32 314	-	45 979
<b>Total current assets</b>	<b>93 884</b>	<b>128 322</b>	<b>133 585</b>	<b>182 587</b>
<b>Total assets</b>	<b>606 506</b>	<b>629 482</b>	<b>862 983</b>	<b>895 672</b>

On behalf of the Management Board:

\_\_\_\_\_  
 Simon Boddy  
 Chairman of the Management Board

## Consolidated statement of financial position (cont'd)

As at 31 March 2012

	31.03.2012. LVL'000	31.12.2011. LVL'000	31.03.2012. EUR '000	31.12.2011. EUR '000
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	104 479	104 479	148 660	148 660
Share premium	42 343	42 343	60 249	60 249
Legal reserve	715	715	1 017	1 017
Foreign currency revaluation reserve	(7 077)	(5 054)	(10 070)	(7 191)
Cash flow hedge reserve	(694)	(731)	(987)	(1 040)
Other reserves	119 014	126 008	169 342	179 293
Loss for the period	(3 392)	(6 994)	(4 826)	(9 952)
<b>Equity attributable to equity holders of the parent</b>	<b>255 388</b>	<b>260 766</b>	<b>363 385</b>	<b>371 036</b>
Non-controlling interest	145 916	151 452	207 620	215 497
<b>Total equity</b>	<b>401 304</b>	<b>412 218</b>	<b>571 005</b>	<b>586 533</b>
<b>Non-current liabilities</b>				
Borrowings	152 804	161 678	217 421	230 047
Finance lease	13 465	14 021	19 159	19 950
Deferred tax liability	1 107	1 070	1 575	1 522
Deferred income	2 585	2 623	3 678	3 732
Derivative financial instruments	535	500	761	711
<b>Total non-current liabilities</b>	<b>170 496</b>	<b>179 892</b>	<b>242 594</b>	<b>255 962</b>
<b>Current liabilities</b>				
Borrowings	16 448	16 962	23 403	24 135
Finance lease	651	687	926	978
Trade and other payables	12 275	11 498	17 468	16 360
Taxes payable	574	436	817	620
Derivative financial instruments	854	963	1 215	1 370
Deferred income	2 804	5 735	3 990	8 160
Provisions	1 100	1 091	1 565	1 554
<b>Total current liabilities</b>	<b>34 706</b>	<b>37 372</b>	<b>49 384</b>	<b>53 177</b>
<b>Total liabilities</b>	<b>205 202</b>	<b>217 264</b>	<b>291 978</b>	<b>309 139</b>
<b>Total equity and liabilities</b>	<b>606 506</b>	<b>629 482</b>	<b>862 983</b>	<b>895 672</b>

On behalf of the Management Board:

\_\_\_\_\_  
 Simon Boddy  
 Chairman of the Management Board

## Consolidated statement of cash flows

For the period ended 31 March 2012

	1Q 2012	1Q 2011 (restated)	1Q 2012	1Q 2011 (restated)
	LVL'000	LVL'000	EUR'000	EUR'000
<b>Operating activities</b>				
<b>(Loss)/ Profit before tax</b>	(6 699)	1 339	(9 532)	1 904
<u>Adjustments for:</u>				
Depreciation and amortisation	5 386	5 698	7 664	8 108
Decrease in financial instruments	-	(16)	-	(23)
Loss/ (Gain) on disposal of non-financial assets	2	(92)	3	(131)
Currency translation difference	(215)	(1 548)	(306)	(2 203)
Finance income	(414)	(392)	(589)	(558)
Finance costs	2 325	2 572	3 308	3 660
Recognized impairment	8 314	-	11 830	-
	<b>8 699</b>	<b>7 561</b>	<b>12 378</b>	<b>10 757</b>
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	12 445	(1 023)	17 707	(1 455)
Changes in inventories	(864)	(217)	(1 229)	(309)
Changes in trade and other payables	(1 798)	(3 728)	(2 558)	(5 304)
	<b>18 482</b>	<b>2 593</b>	<b>26 298</b>	<b>3 689</b>
Corporate income tax paid	(241)	(41)	(343)	(58)
<b>Net cash flows from operating activities</b>	<b>18 241</b>	<b>2 552</b>	<b>25 955</b>	<b>3 631</b>
Net cash flows from investing activities	2 697	6 978	3 837	9 929
<b>Cash flows before financing activities</b>	<b>20 938</b>	<b>9 530</b>	<b>29 792</b>	<b>13 560</b>
Net cash flows used in financing activities	(6 969)	(6 660)	(9 916)	(9 476)
<b>Net increase in cash and cash equivalents</b>	<b>13 969</b>	<b>2 870</b>	<b>19 876</b>	<b>4 084</b>
Cash and cash equivalents as at 1 January	33 343	30 766	47 443	43 776
<b>Cash and cash equivalents as at 31 March</b>	<b>47 312</b>	<b>33 636</b>	<b>67 319</b>	<b>47 860</b>

## Consolidated statement of changes in equity

For the period ended 31 March 2012

	Attributable to the equity holders of the parent						Non-controlling interest	Total
	Share capital	Share premium	Legal reserve	Foreign currency revaluation reserve	Cash flow hedge reserve	Other reserves		
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
<b>At 31 December 2010</b>	<b>104 479</b>	<b>42 343</b>	<b>715</b>	<b>(5 029)</b>	<b>(1 124)</b>	<b>126 008</b>	<b>267 392</b>	<b>428 421</b>
Profit for the period	-	-	-	-	-	605	605	1 095
Other comprehensive income/ (loss)	-	-	-	(5 192)	246	-	(4 946)	(9 903)
Total comprehensive (loss)/ income	-	-	-	(5 192)	246	605	(4 341)	(8 808)
<b>As at 31 March 2011 (restated)</b>	<b>104 479</b>	<b>42 343</b>	<b>715</b>	<b>(10 221)</b>	<b>(878)</b>	<b>126 613</b>	<b>263 051</b>	<b>419 613</b>
Loss for the period	-	-	-	-	-	(7 599)	(7 599)	(13 281)
Other comprehensive income	-	-	-	5 167	147	-	5 314	10 639
Total comprehensive (loss)/ income	-	-	-	5 167	147	(7 599)	(2 285)	(2 642)
Dividends declared	-	-	-	-	-	-	-	(4 753)
<b>Balances as of 31 December 2011</b>	<b>104 479</b>	<b>42 343</b>	<b>715</b>	<b>(5 054)</b>	<b>(731)</b>	<b>119 014</b>	<b>260 766</b>	<b>412 218</b>
Loss for the period	-	-	-	-	-	(3 392)	(3 392)	(6 937)
Other comprehensive income/ (loss)	-	-	-	(2 023)	37	-	(1 986)	(3 977)
Total comprehensive (loss)/ income	-	-	-	(2 023)	37	(3 392)	(5 378)	(10 914)
<b>As at 31 March 2012</b>	<b>104 479</b>	<b>42 343</b>	<b>715</b>	<b>(7 077)</b>	<b>(694)</b>	<b>115 622</b>	<b>255 388</b>	<b>401 304</b>

## Consolidated statement of changes in equity (cont'd)

For the period ended 31 March 2012

	Attributable to the equity holders of the parent						Non-controlling interest	Total	
	Share capital	Share premium	Legal reserve	Foreign currency revaluation reserve	Cash flow hedge reserve	Other reserves			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000			
<b>At 31 December 2010</b>	<b>148 660</b>	<b>60 249</b>	<b>1 017</b>	<b>(7 156)</b>	<b>(1 599)</b>	<b>179 294</b>	<b>380 465</b>	<b>229 124</b>	<b>609 589</b>
Profit for the period	-	-	-	-	-	860	860	697	1 557
Other comprehensive income/ (loss)	-	-	-	(7 388)	350	-	(7 038)	(7 053)	(14 091)
Total comprehensive (loss)/ income	-	-	-	(7 388)	350	860	(6 178)	(6 356)	(12 534)
<b>As at 31 March 2011 (restated)</b>	<b>148 660</b>	<b>60 249</b>	<b>1 017</b>	<b>(14 544)</b>	<b>(1 249)</b>	<b>180 154</b>	<b>374 287</b>	<b>222 768</b>	<b>597 055</b>
Loss for the period	-	-	-	-	-	(10 813)	(10 813)	(8 085)	(18 898)
Other comprehensive income	-	-	-	7 353	209	-	7 562	7 577	15 139
Total comprehensive (loss)/ income	-	-	-	7 353	209	(10 813)	(3 251)	(508)	(3 759)
Dividends declared	-	-	-	-	-	-	-	(6 763)	(6 763)
<b>Balances as of 31 December 2011</b>	<b>148 660</b>	<b>60 249</b>	<b>1 017</b>	<b>(7 191)</b>	<b>(1 040)</b>	<b>169 341</b>	<b>371 036</b>	<b>215 497</b>	<b>586 533</b>
Loss for the period	-	-	-	-	-	(4 825)	(4 825)	(5 044)	(9 869)
Other comprehensive income/ (loss)	-	-	-	(2 879)	53	-	(2 826)	(2 833)	(5 659)
Total comprehensive (loss)/ income	-	-	-	(2 879)	53	(4 825)	(7 651)	(7 877)	(15 528)
<b>As at 31 March 2012</b>	<b>148 660</b>	<b>60 249</b>	<b>1 017</b>	<b>(10 070)</b>	<b>(987)</b>	<b>164 516</b>	<b>363 385</b>	<b>207 620</b>	<b>571 005</b>



## Notes to the unaudited condensed interim consolidated financial statements

### 1. Accounting policies

These unaudited condensed interim consolidated financial statements are prepared in accordance with and comply with accounting policies applied in preparation of the consolidated financial statements of *JSC Ventspils nafta* and its subsidiaries (hereinafter also – the Group) for the year ended 31 December 2011, which were prepared in accordance with International Financial Reporting Standards.

The Group's unaudited condensed interim consolidated financial statements are presented in Latvian Lat, which is also the Parent company's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary are measured using its functional currency.

#### Transactions and balances

The functional and presentation currency of *Ventspils Nafta Termināls Ltd*, *LatRosTrans Ltd* and *Ventspils Nafta JSC* is Latvian lat (LVL), the functional currency of *Latvian Shipping Company JSC* is U.S. Dollar (USD).

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian Lat applying the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Presentation of financial statements in LVL is done using exchange rate set by the Bank of Latvia according to the following rates:

		31.03.2012.	31.12.2011	31.03.2011.
As at the reporting period-end	USD/LVL	0.528000	0.544000	0.499000
	EUR/LVL	0.702804	0.702804	0.702804
Average rate per period	USD/LVL	0.536478		0.515393

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.03.2012: 1 EUR = 0.702804 LVL, 31.03.2011: 1 EUR = 0.702804 LVL.

## Notes to the unaudited condensed interim consolidate financial statements (cont'd)

For the period ended 31 March 2012

### 2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	1Q 2012 LVL th	1Q 2011 LVL th	1Q 2012 LVL th	1Q 2011 LVL th	1Q 2012 LVL th	1Q 2011 LVL th	1Q 2012 LVL th	1Q 2011 LVL th	1Q 2012 LVL th	1Q 2011 LVL th	1Q 2012 LVL th	1Q 2011 LVL th
<b>Revenue from external customers</b>	<b>21 674</b>	<b>16 655</b>	<b>14 971</b>	<b>12 015</b>	-	-	<b>36 645</b>	<b>28 670</b>	-	-	<b>36 645</b>	<b>28 670</b>
Intersegment revenue	-	-	-	-	48	23	<b>48</b>	<b>23</b>	(48)	(23)	-	-
Voyage costs	-	-	(3 290)	(340)	-	-	<b>(3 290)</b>	<b>(340)</b>	-	-	<b>(3 290)</b>	<b>(340)</b>
Vessel operating costs	-	-	(4 921)	(5 461)	-	-	<b>(4 921)</b>	<b>(5 461)</b>	-	-	<b>(4 921)</b>	<b>(5 461)</b>
Cost of sales (vessel operating costs excluding)	(16 511)	(11 441)	(419)	(420)	-	-	<b>(16 930)</b>	<b>(11 861)</b>	-	-	<b>(16 930)</b>	<b>(11 861)</b>
Other revenue	-	-	124	114	12	60	<b>136</b>	<b>174</b>	-	-	<b>136</b>	<b>174</b>
Depreciation and amortisation	(2 019)	(2 300)	(3 362)	(3 395)	(5)	(3)	<b>(5 386)</b>	<b>(5 698)</b>	-	-	<b>(5 386)</b>	<b>(5 698)</b>
Impairment of non-financial assets *	-	-	(8 314)	-	-	-	<b>(8 314)</b>	-	-	-	<b>(8 314)</b>	-
Interest income	128	129	-	-	287	247	<b>415</b>	<b>376</b>	(7)	-	<b>408</b>	<b>376</b>
Interest expense	-	-	(2 319)	(2 588)	-	-	<b>(2 319)</b>	<b>(2 588)</b>	7	-	<b>(2 312)</b>	<b>(2 588)</b>
<b>Net result before taxes</b>	<b>3 272</b>	<b>3 043</b>	<b>(7 530)</b>	<b>(75)</b>	<b>342</b>	<b>327</b>	<b>(3 916)</b>	<b>3 295</b>	<b>(48)</b>	<b>(23)</b>	<b>(3 964)</b>	<b>3 272</b>
<b>Segment assets **</b>	<b>199 686</b>	<b>193 359</b>	<b>313 819</b>	<b>312 183</b>	<b>78 549</b>	<b>78 241</b>	<b>592 054</b>	<b>583 783</b>	<b>(4 629)</b>	<b>(2)</b>	<b>587 425</b>	<b>583 781</b>
Unallocated:												
Assets of subsidiaries not included in segment											2 229	2 400
Investment properties											879	1 545
Financial assets at fair value through profit and loss											-	742
Available-for-sale financial assets											15 973	16 456
<b>Total consolidated assets</b>											<b>606 506</b>	<b>604 924</b>
Including additions to non-current assets	1 205	552	797	225	1	-	<b>2 003</b>	<b>777</b>	-	-	<b>2 003</b>	<b>777</b>

## Notes to the unaudited condensed interim consolidated financial statements (cont'd)

For the period ended 31 March 2012

### 2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	1Q 2012	1Q 2011
	LVL thousand	LVL thousand
Segment result	(3 964)	3 272
<b>Reconciliation to (loss)/ profit before taxes:</b>		
General and administrative expenses (excluding depreciation)	(2 039)	(2 109)
Other operating (expenses)/ income, net	(47)	86
Other financial (expenses)/ income, net	(697)	67
Adjustments and eliminations	48	23
<b>(LOSS)/ PROFIT BEFORE TAXES:</b>	<b>(6 699)</b>	<b>1 339</b>

\* Impairment of non financial assets amount of LVL 8 314 thousand relates to the impairment of the fleet recognised in Q1/2012. The decrease in the value of the fleet reflects the difficulties that all ship-owners continue to experience in the current financial environment. The re-valuation was based on the recoverable value of the fleet and complied with the requirements of the International Financial Reporting Standards.

\*\* During Q1/2012 JSC *Ventspils nafta* has agreed to issue two loans to JSC Latvian Shipping Company Group in the amount of EUR 5 000 thousand and USD 19 557 thousand on the same terms as received from the ship financing banking syndicate. Respecting this shareholder contribution, the banking syndicate has once more agreed to waive breaches of covenants until the end of 2012. In addition JSC Latvian Shipping Company Group is progressing with discussions with the banking syndicate to extend the waivers until the end of 2013.

As a result of the above loan from JSC *Ventspils nafta* and banking syndicate's agreement to waive breaches of covenants JSC Latvian Shipping Company Group will hopefully avoid the need to sell any of its fleet at the current record low prices and will be better financially placed to continue to survive the financial challenges all ship-owners are facing. As a consequence of this loan and waiver agreement JSC Latvian Shipping Company Group has reclassified three vessels, held as assets for sale, back to the fleet.

## Notes to the unaudited condensed interim consolidate financial statements (cont'd)

For the period ended 31 March 2012

### 2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	1Q 2012 EUR th	1Q 2011 EUR th	1Q 2012 EUR th	1Q 2011 EUR th	1Q 2012 EUR th	1Q 2011 EUR th	1Q 2012 EUR th	1Q 2011 EUR th	1Q 2012 EUR th	1Q 2011 EUR th	1Q 2012 EUR th	1Q 2011 EUR th
<b>Revenue from external customers</b>	<b>30 839</b>	<b>23 698</b>	<b>21 302</b>	<b>17 096</b>	-	-	<b>52 141</b>	<b>40 794</b>	-	-	<b>52 141</b>	<b>40 794</b>
Intersegment revenue	-	-	-	-	68	33	<b>68</b>	<b>33</b>	(68)	(33)	-	-
Voyage costs	-	-	(4 681)	(484)	-	-	<b>(4 681)</b>	<b>(484)</b>	-	-	<b>(4 681)</b>	<b>(484)</b>
Vessel operating costs	-	-	(7 002)	(7 770)	-	-	<b>(7 002)</b>	<b>(7 770)</b>	-	-	<b>(7 002)</b>	<b>(7 770)</b>
Cost of sales (vessel operating costs excluding)	(23 493)	(16 279)	(596)	(598)	-	-	<b>(24 089)</b>	<b>(16 877)</b>	-	-	<b>(24 089)</b>	<b>(16 877)</b>
Other revenue	-	-	176	162	17	85	<b>193</b>	<b>247</b>	-	-	<b>193</b>	<b>247</b>
Depreciation and amortisation	(2 873)	(3 273)	(4 784)	(4 831)	(7)	(4)	<b>(7 664)</b>	<b>(8 108)</b>	-	-	<b>(7 664)</b>	<b>(8 108)</b>
Impairment of non-financial assets *	-	-	(11 830)	-	-	-	<b>(11 830)</b>	-	-	-	<b>(11 830)</b>	-
Deconsolidation of net financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	182	184	-	-	408	351	<b>590</b>	<b>535</b>	(10)	-	<b>580</b>	<b>535</b>
Interest expense	-	-	(3 300)	(3 682)	-	-	<b>(3 300)</b>	<b>(3 682)</b>	10	-	<b>(3 290)</b>	<b>(3 682)</b>
<b>Net result before taxes</b>	<b>4 655</b>	<b>4 330</b>	<b>(10 715)</b>	<b>(107)</b>	<b>486</b>	<b>465</b>	<b>(5 574)</b>	<b>4 688</b>	<b>(68)</b>	<b>(33)</b>	<b>(5 642)</b>	<b>4 655</b>
<b>Segment assets **</b>	<b>284 128</b>	<b>275 125</b>	<b>446 524</b>	<b>444 196</b>	<b>111 766</b>	<b>111 327</b>	<b>842 418</b>	<b>830 648</b>	<b>(6 586)</b>	<b>(3)</b>	<b>835 832</b>	<b>830 645</b>
Unallocated:												
Assets of subsidiaries not included in segment											3 172	3 415
Investment properties											1 251	2 198
Financial assets at fair value through profit and loss											-	1 056
Available-for-sale financial assets											22 728	23 415
<b>Total consolidated assets</b>											<b>862 983</b>	<b>860 729</b>
Including additions to non-current assets	1 715	785	1 134	320	1	-	<b>2 850</b>	<b>1 105</b>	-	-	<b>2 850</b>	<b>1 105</b>

## Notes to the unaudited condensed interim consolidated financial statements (cont'd)

For the period ended 31 March 2012

### 2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	1Q 2012	1Q 2011
	EUR thousand	EUR thousand
Segment result	(5 642)	4 655
<b>Reconciliation to (loss)/ profit before taxes:</b>		
General and administrative expenses (excluding depreciation)	(2 899)	(3 001)
Other operating (expenses)/ income, net	(67)	122
Other financial (expenses)/ income, net	(992)	95
Adjustments and eliminations	68	33
<b>(LOSS)/ PROFIT BEFORE TAXES:</b>	<b>(9 532)</b>	<b>1 904</b>

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