



Joint stock company VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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General information

Name of the company	<i>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 joint stock company *Ventspils nafta* (hereinafter – JSC *Ventspils nafta*)

The mission of JSC *Ventspils nafta*, the Group's parent company, is to manage investments in the Group's companies with a view to ensure development and maximise investment returns; to strengthen the position of the Group's companies in the global market; and to make maximum use of the unique resources of *Ventspils nafta* – the experience and professionalism of employees, well developed infrastructure, modern technology and advantageous geographic location – always with a view to increase the economic value of the Group.

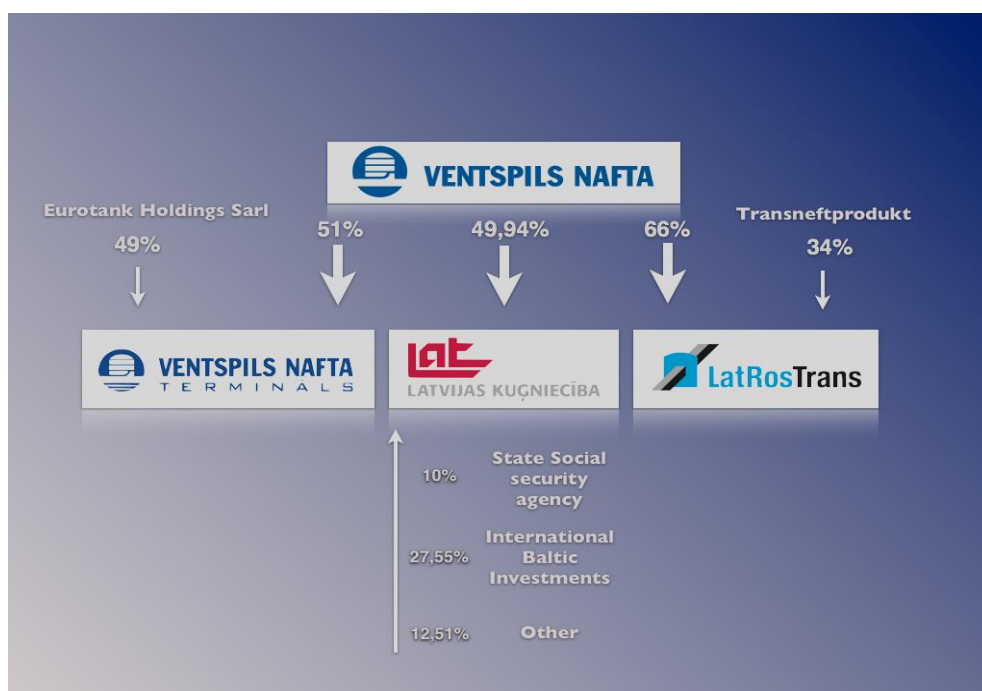
The mission of the *Ventspils nafta* Group is to safeguard transport infrastructure for some of the world's most important raw materials and sources of energy – crude oil and petroleum products, by working in an advantageous and significant geographical intersection between Eastern and Western Europe. Combining long-term experience of employees, high quality service, developed infrastructure and continuous modernisation of technologies, we transport and store petroleum products and provide shipping services: with care for growth and for people, while paying the highest attention to our impact on the environment.

The goal of JSC *Ventspils nafta*, the Group's parent company, is to increase the value of investments in its managed companies and to ensure maximum operating efficiency; to maintain open dialogue with all shareholders, the Supervisory Council, management and other interested parties; to ensure transparency of the parent company's operations and manage the company in line with best principles of good governance; to plan for any potential risks for the group of companies; and focus on having in place the best long term strategy for the Group.

The goal of the *Ventspils nafta* Group of companies is to become a globally recognised petroleum products transportation, storage and shipping group – so that what the name *Ventspils nafta* signifies to our partners and the Latvian people is reliability, excellent quality of service, high environmental protection standards and an intent to always be a good corporate citizen.

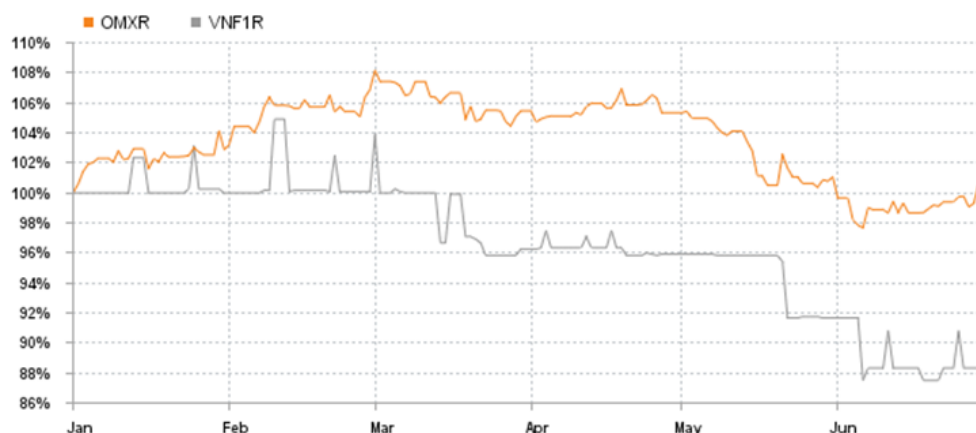
The main activities carrying out by subsidiaries of JSC *Ventspils nafta* are as follows:

- *LatRosTrans Ltd* – transporting oil products via pipeline;
- *Ventspils nafta termināls Ltd* – reloading and storage of crude oil and oil products delivered by rail and pipeline;
- *JSC Latvian Shipping Company* – marine shipping business.



Review of shares

Information of share price dynamics for the period from 01.01.2012 till 30.06.2012



Index/Equity	01.01.2012	30.06.2012	+/- %
— OMX Riga	371.16	373.26	0.57 ↑
— VNF1R	1.20 LVL	1.06 LVL	-11.67 ↓

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	H1/2012
Open, LVL	2.2	0.7	0.92	1.449	1.200
High, LVL	2.4	1.5	1.89	1.479	1.259
Low, LVL	0.68	0.59	0.91	1.013	1.100
Last, LVL	0.7	0.94	1.4	1.2	1.060
Traded volume	1,439,542	900,402	1,492,345	1,632,287	138,923
Turnover, million LVL	2.77	0.89	2.22	2.32	0.15
Capitalisation, million LVL	73.14	98.21	146.27	125.38	110.75

Supervisory Council of JSC *Ventspils nafta*

Members of the Council:

Vladimir Egger
Mikhail Dvorak
Javed Ahmed
Rubel Yilmaz
Mark Ware
Christophe Matsacos
Oļegs Stepanovs
Igoris Skoks
Olafs Berķis
Genadijs Ševcovs
Ivars Bērziņš

The changes in the Council during the period from 1 January 2012 to 23 August 2012 were as follows:

Elected	Dismissed	Name	Position held
25/07/2012	-	Oļegs Stepanovs	Member of the Council
25/07/2012	-	Igoris Skoks	Member of the Council
25/07/2012	-	Olafs Berķis	Member of the Council
25/07/2012	-	Genadijs Ševcovs	Member of the Council
25/07/2012	-	Ivars Bērziņš	Member of the Council
07/07/2010	25/07/2012	Rudolf Meroni	Member of the Council
27/07/2011	25/07/2012	David Guy Anstis	Member of the Council
27/07/2011	25/07/2012	Jānis Hāze	Member of the Council
22/11/2011	25/07/2012	Aivars Gobiņš	Member of the Council
22/11/2011	25/07/2012	David Alexander Schlaff	Member of the 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 shares of JSC Ventspils nafta.

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 shares of JSC Ventspils nafta.

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 shares of JSC Ventspils nafta.

Mark 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 Ware does not possess any shares of JSC Ventspils nafta.

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 shares of JSC Ventspils nafta.

Christophe 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 Matsacos does not possess any shares of JSC Ventspils nafta.

Oļegs Stepanovs is the Doctor of Economic Sciences, Member of the Supervisory Council of JSC Latvian Shipping Company, president of the Baltic Association – Transport and Logistics from 2006 until 2011, Chairman of the Supervisory Board of JSC Ventspils Commercial Port from 2009 until 2010, Member of the Supervisory Council of VN from 2010 until 2011, Chairman of the Supervisory Council of JSC SS&F Group since 2008, Member of the Supervisory Council of JSC Baltic Coal Terminal since 2009. Mr Oļegs Stepanovs does not possess any shares of JSC Ventspils nafta shares.

Supervisory Council of JSC Ventspils nafta (cont'd)

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

Igors Skoks has worked for JSC Ventspils nafta from 1995 to 2002 – held top positions in the company's administration from the Executive Director of Economic issues to Chairman of the Management Board. For several years worked in the Management Board of the Ventspils Port, as well as in the Supervisory Council of LatRosTrans Ltd and JSC Preses nams. He is Chairman of the JSC Aureus kapitāls Supervisory Council. Mr Igors Skoks does not possess any shares of JSC Ventspils nafta.

Olafs Berķis is the Chairman of the oil product terminal JSC Ventbunkers Supervisory Council, member of the JSC Aureus kapitāls Supervisory Council. Previously has worked in Management Board of the JSC Ventspils nafta, as well as in Supervisory Council of LatRosTrans Ltd. Mr Olafs Berķis does not possess any shares of JSC Ventspils nafta.

Genadijs Ševcovs is the Member of the JSC Ventbunkers Supervisory Council, Deputy Chairman of the JSC Aureus kapitāls Supervisory Council. He has comprehensive experience in oil product transit business – he has held the position of the JSC Ventspils nafta Vice-president and Director of Technology, member of JSC Rietumu cauruļvadu sistēma Supervisory Council, Director of Technology of LatRosTrans Ltd and JSC VB Holdings, as well as Ventspils nafta terminals Ltd. Mr Genadijs Ševcovs has 2525 shares of JSC Ventspils nafta.

Ivars Bērziņš is the Member of Supervisory Council of JSC Latvijas naftas tranzīts and representative (Power of Attorney) of Skonto nafta Ltd. Mr Bērziņš holds a master's degree in law. Mr Ivars Bērziņš does not possess any shares of JSC Ventspils nafta.

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 23 August 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 English 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 shares of JSC *Ventspils nafta*.

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. Mendeleyev University of Chemical Technology of Russia. Mr. Boris Bednov does not possess any shares of JSC *Ventspils nafta*.

Aleksej Tarasov has worked as a member of the Management Board of *Ventspils Nafta AS* since January 6, 2011. He has worked for *Mazeki 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 shares of JSC *Ventspils nafta*.

Management Report of JSC *Ventspils nafta*

First half-year of 2012

Dear shareholders, clients and cooperation partners,

Consolidated net turnover of *JSC Ventspils nafta* and its subsidiaries (*hereafter – JSC Ventspils nafta Group*) in the first half-year of 2012 was LVL 73.8 million, which is 26.5% more than in the same reporting period in 2011 (LVL 58.3 million).

Consolidated turnover of the *JSC Ventspils nafta Group* is formed by income from the shipping business – 30.57 million lats (+ 29.9% compared to 1HY 2011) and from petroleum product transshipment, storage and transport business – 43.23 million lats (+24.3% compared to 1HY 2011).

The gross profit of *JSC Ventspils nafta Group* has reached LVL 11.36 million – 20% higher than in the first half-year of 2011. The consolidated net profit was negative, namely, in the first half-year the net loss of the *JSC Ventspils nafta Group* was LVL 9.52 million. The main reason for the consolidated net losses in the first half-year of 2012 was impairment of non-financial assets (the fleet) in the amount of LVL 13.37 million. Without this recognized impairment of non-financial assets, the net profit of the *JSC Ventspils nafta Group* in the first half-year of 2012 would have been (LVL 3.85 million) higher than in the same period of 2011 (LVL 1.06 million). Consolidated net losses attributable to shareholders of the parent company in the first half-year of 2012 were LVL 4.47 million.

General and administrative expense of the *JSC Ventspils nafta Group* was LVL 4.15 million, which is 5% less than in the same reporting period in 2011 (LVL 4.37 million). The net consolidated cash flows from operating activities has increased from LVL 6.78 million in the first half-year of 2011 to LVL 27.90 million in the corresponding period in 2012.

On April 27, 2012 the *JSC Ventspils nafta Group* published the audited consolidated financial statements for 2011 that were approved by the shareholders' meeting of July 25, 2012.

During the first half-year of 2012 the price of *JSC Ventspils nafta* shares quoted on the NASDAQ OMX Riga decreased by 11.67%. The OMX Riga index in the same period increased by 0.57%. There were 545 trades with *Ventspils nafta* Company's shares during the reporting period involving 138 923 shares worth LVL151 614. On June 30, 2012 the capitalization of *Ventspils nafta* Company shares at NASDAQ OMX Riga was LVL 110.75 million.

JSC Ventspils nafta has organised an investor conference in the form of an on-line webinar (May 16) for shareholders, investors, mass media representatives and other stakeholders informing them about the audited financial results of the year 2011 and about the future activities of the company. Similar event was also organised by *JSC Latvian Shipping Company and its subsidiaries* on May 10.

As part of the new corporate communications strategy emphasising transparency and openness of the *JSC Ventspils nafta Group*, four new websites have been created, one for each of the Group's companies, as well as accounts in Facebook and Twitter.

JSC *Ventspils nafta*

JSC Ventspils nafta's (*hereafter – Group's parent company*) net profit reached LVL 229 thousand in the first half-year of 2012. The net profit for the same reporting period in 2011 was LVL 4.904 million, of which LVL 4.947 million were dividends from the *JSC Ventspils nafta* subsidiary *Ventspils nafta termināls Ltd*.

During the first half-year of 2012 to support *JSC Latvian Shipping Company and its subsidiaries* (*hereafter – LSC Group*), *JSC Ventspils nafta*, issued two loans to *LSC Group* in the amount of 5 million EUR and 19.557 million USD on the same terms as *LSC Group* ship financing banking syndicate. For financing *LSC Group* all financial resources were found within the *JSC Ventspils nafta Group*, partially using *JSC Ventspils nafta's* own financial funds and partially borrowing financial funds in amount of 19.557 million USD from *LatRosTrans Ltd*. Respecting this significant shareholder contribution, the banking syndicate has once more agreed to waive breaches of covenants until end 2012. In addition *LSC Group* is progressing with discussions with the banking syndicate to extend the waivers until the end of 2013.

Management Report of JSC *Ventspils nafta* (cont'd)

Ventspils nafta terminals Ltd.

The turnover of the JSC *Ventspils nafta* subsidiary *Ventspils nafta termināls Ltd* has reached LVL 37.7 million in the first half-year of 2012, which is 29.6% more than in the first half-year of 2011 (LVL 29.1 million). The gross profit of the JSC *Ventspils nafta terminals* was LVL 5.77 million or 8.5% more than in the same reporting period in 2011 (LVL 5.32 million). *Ventspils nafta termināls Ltd* financial result for first half 2012 is a net profit of LVL 5.27 million. The net profit for the same reporting period in 2011 was LVL 4.31 million.

Ventspils nafta terminals Ltd has transhipped 7.12 million tonnes of petroleum products in the first half-year of 2012. It is a 19% increase compared with the same period a year ago, when 5.987 million tonnes were transhipped. 53.9% of the transhipped amount came by rail, 43.1% through a pipeline and 3.0% by sea.

LatRosTrans Ltd.

The JSC *Ventspils nafta* subsidiary, owner and operator of crude oil and petroleum products pipeline in the territory of Latvia, *LatRosTrans Ltd* had revenue of LVL 5.52 million in the first half-year 2012, which is 3.4% less than in the same reporting period 2011 (LVL 5 713 million).

Petroleum product transportation volumes of *LatRosTrans Ltd* in the reporting period amounted to 2,872 thousand tons, which is 380 thousand tons (11.7%) less than in the first half-year of 2011.

The result of the *LatRosTrans Ltd* economic activity in the first half of 2012 was a profit in the amount of LVL 670 thousand, mainly due to unrealized profit from the currency revaluations of the denominated assets in US dollars, the main component of the finance income, in the amount of LVL 534 thousand. Eliminating the unrealized profit would lead to the operating profitability of 12.5%, compared to 1.4% net profitability in the first half of 2011.

On August 10, 2012, In the dispute between the *Byelorussian company OJSC Polotsktransneft Druzhba* and *LatRosTrans Ltd* over the technological crude oil, the Chamber of Civil Cases of the Supreme Court annulled all restrictions on the 109 thousand tons of crude oil in the pipeline Polotsk-Ventspils, which is owned by *LatRosTrans Ltd*.

JSC Latvian Shipping Company Group

LSC Group financial result for first half 2012 is a net loss of USD 29.20 million. The net loss for the same reporting period in 2011 was USD8.77 million.

The largest portion of the net loss – USD 24.75 million relates to the impairment of the fleet. A decrease in the value of the fleet in the amount of USD 15.75 million was recognised in Q1 2012 followed by a further decrease of USD 9 million in Q2 2012. The impairments were calculated using the higher of a vessel's fair value less costs to sell, or its value in use, which fully complies with International Financial Reporting Standards. In order to determine the fair value of the *LSC Group's* fleet, valuations of the vessels are carried out by independent international shipping experts. The impairments are non cash items so do not affect the cash position of the *LSC Group*.

There were no changes in the *LSC Group's* fleet during the first half-year of 2012 and at the end of June 2012 the fleet under the commercial management of LSC consisted of 20 tankers, 19 of which are owned by the *LSC Group*, with 1 vessel chartered pursuant to a sale and leaseback deal.

Riga, 23 August 2012

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Statement of Management's responsibilities

The Management Board prepares consolidated financial statements for each reporting period. These unaudited condensed interim consolidated financial statements give a true and fair view of the state of affairs of the *JSC Ventspils Nafta* and its subsidiaries (hereinafter also – the Group) as of 30 June 2012, changes in shareholders' equity, cash flows and the results of the Group for the six month period ended 30 June 2012.

The aforementioned unaudited condensed interim consolidated financial statements are prepared in accordance with the IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board as adopted by the European Union 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 Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Group and facilitate the preparation of the unaudited condensed interim consolidated financial statements which comply with IAS 34 Interim Financial Reporting as adopted by the European Union.

Riga, 23 August 2012

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Interim consolidated income statement

For the period ended 30 June

	2012	2011	2012	2011
	LVL'000	(restated) LVL'000	EUR '000	(restated) EUR '000
Revenue	73 801	58 316	105 009	82 976
Cost of goods sold	(62 440)	(48 853)	(88 844)	(69 512)
Gross profit	11 361	9 463	16 165	13 464
General and administrative expense	(4 146)	(4 372)	(5 899)	(6 221)
Selling costs	(9)	(2)	(13)	(3)
Other operating income	882	417	1 255	593
Other operating expense	(533)	(1 846)	(758)	(2 627)
Impairment of other non-financial assets	(13 373)	-	(19 028)	-
Finance income	1 461	1 017	2 079	1 447
Finance costs	(4 727)	(5 064)	(6 726)	(7 205)
Loss before tax	(9 084)	(387)	(12 925)	(552)
Corporate income tax	(439)	(672)	(625)	(956)
Loss for the period	(9 523)	(1 059)	(13 550)	(1 508)
Attributable to:				
Parent company's shareholders	(4 474)	(720)	(6 366)	(1 026)
Non-controlling interest	(5 049)	(339)	(7 184)	(482)
	(9 523)	(1 059)	(13 550)	(1 508)
(Loss)/ Profit per share attributable to the Parent company's shareholders:	<u>LVL (0,04)</u>	<u>LVL (0,007)</u>	<u>EUR (0,06)</u>	<u>EUR (0,01)</u>
(Loss)/ Profit per share	<u>LVL (0,09)</u>	<u>LVL (0,010)</u>	<u>EUR (0,13)</u>	<u>EUR (0,014)</u>

On behalf of the Management Board:

Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of comprehensive income

For the period ended 30 June

	2012	2011	2012	2011
	LVL'000	(restated) LVL'000	EUR '000	(restated) EUR '000
Loss for the period	(9 523)	(1 059)	(13 550)	(1 507)
Other comprehensive income/ (loss)				
- Foreign currency revaluation reserve	3 532	(14 032)	5 026	(19 966)
- Cash flow hedge reserve	20	779	28	1 108
Other comprehensive income/ (loss) for the period	3 552	(13 253)	5 054	(18 858)
Total comprehensive loss for the period	(5 971)	(14 312)	(8 496)	(20 365)
Attributable to:				
Parent company's shareholders	(2 700)	(7 339)	(3 842)	(10 443)
Non-controlling interests	(3 271)	(6 973)	(4 654)	(9 922)
	(5 971)	(14 312)	(8 496)	(20 365)

On behalf of the Management Board:

Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of financial position

	30.06.2012. LVL'000	31.12.2011. LVL'000	30.06.2012. EUR '000	31.12.2011. EUR '000
Assets				
Non-current assets				
Intangible assets	25 313	25 361	36 017	36 085
Property, plant and equipment	422 318	401 397	600 906	571 136
Investment properties	876	883	1 246	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	25 342	25 753	36 059	36 643
Total non-current assets	521 615	501 160	742 193	713 085
Current assets				
Inventories	3 302	2 949	4 698	4 196
Trade and other receivables	11 654	25 571	16 582	36 384
Short term deposits	27 063	18 045	38 507	25 676
Other current financial assets	16 243	16 100	23 112	22 909
Cash and cash equivalents	36 837	33 343	52 414	47 443
	95 099	96 008	135 313	136 608
Assets classified as held for sale	-	32 314	-	45 979
Total current assets	95 099	128 322	135 313	182 587
Total assets	616 714	629 482	877 506	895 672

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of financial position (cont'd)

	30.06.2012. LVL'000	31.12.2011. LVL'000	30.06.2012. EUR '000	31.12.2011. EUR '000
Equity and liabilities				
Equity				
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	(3 291)	(5 054)	(4 683)	(7 191)
Cash flow hedge reserve	(721)	(731)	(1 026)	(1 040)
Other reserves	119 014	126 008	169 342	179 293
Loss for the period	(4 474)	(6 994)	(6 366)	(9 952)
Equity attributable to equity holders of the parent	258 065	260 766	367 192	371 036
Non-controlling interest	148 182	151 452	210 845	215 497
Total equity	406 247	412 218	578 037	586 533
Non-current liabilities				
Borrowings	158 332	161 678	225 286	230 047
Finance lease	14 130	14 021	20 105	19 950
Deferred tax liability	1 145	1 070	1 629	1 522
Deferred income	2 547	2 623	3 624	3 732
Derivative financial instruments	663	500	943	711
Total non-current liabilities	176 817	179 892	251 587	255 962
Current liabilities				
Borrowings	17 378	16 962	24 727	24 135
Finance lease	728	687	1 036	978
Trade and other payables	11 786	11 498	16 772	16 360
Taxes payable	374	436	532	620
Derivative financial instruments	780	963	1 110	1 370
Deferred income	1 482	5 735	2 109	8 160
Provisions	1 122	1 091	1 596	1 554
Total current liabilities	33 650	37 372	47 882	53 177
Total liabilities	210 467	217 264	299 469	309 139
Total equity and liabilities	616 714	629 482	877 506	895 672

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of cash flows

For the period ended 30 June

	2012	2011	2012	2011
	LVL'000	(restated) LVL'000	EUR'000	(restated) EUR'000
Operating activities				
Loss before tax	(9 084)	(387)	(12 925)	(552)
<u>Adjustments for:</u>				
Depreciation and amortisation	11 479	11 168	16 333	15 891
(Increase)/ Decrease in financial instruments	-	(16)	-	(23)
Loss on disposal of non-financial assets	1	1 270	1	1 807
Currency translation difference	(495)	(2 702)	(704)	(3 845)
Interest income	(777)	(797)	(1 106)	(1 134)
Interest expense	4 638	4 989	6 599	7 099
Recognized impairment	13 373	-	19 028	-
Changes in fair value of financial assets	-	(11)	-	(16)
	19 135	13 514	27 226	19 227
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	13 752	(2 184)	19 567	(3 108)
Changes in inventories	(270)	(319)	(384)	(454)
Changes in trade and other payables	(4 402)	(3 510)	(6 263)	(4 993)
	28 215	7 501	40 146	10 672
Corporate income tax paid	(317)	(720)	(451)	(1 024)
Net cash flows from operating activities	27 898	6 781	39 695	9 648
Net cash flows used in investing activities	(11 369)	(10 842)	(16 177)	(15 427)
Cash flows before financing activities	16 529	(4 061)	23 518	(5 779)
Net cash flows used in financing activities	(13 906)	(745)	(19 786)	(1 060)
Net increase/ (decrease) in cash and cash equivalents	2 623	(4 806)	3 732	(6 839)
Cash and cash equivalents as at 1 January	33 343	30 766	47 443	43 776
Exchange gain/ (losses) on cash and cash equivalents	871	-	1 239	-
Cash and cash equivalents as at 30 June	36 837	25 960	52 414	36 937

Interim consolidated statement of changes in equity

	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	
At 31 December 2010	104 479	42 343	715	(5 029)	(1 124)	126 008	267 392	161 029	428 421
Loss for the period	-	-	-	-	-	(720)	(720)	(339)	(1 059)
Other comprehensive (loss)/ income	-	-	-	(7 008)	389	-	(6 619)	(6 634)	(13 253)
Total comprehensive (loss)/ income	-	-	-	(7 008)	389	(720)	(7 339)	(6 973)	(14 312)
Dividends declared	-	-	-	-	-	-	-	(4 753)	(4 753)
As at 30 June 2011 (restated)	104 479	42 343	715	(12 037)	(735)	125 288	260 053	149 303	409 356
Loss for the period	-	-	-	-	-	(6 274)	(6 274)	(4 853)	(11 127)
Other comprehensive income	-	-	-	6 983	4	-	6 987	7 002	13 989
Total comprehensive income/ (loss)	-	-	-	6 983	4	(6 274)	713	2 149	2 862
Balances as of 31 December 2011	104 479	42 343	715	(5 054)	(731)	119 014	260 766	151 452	412 218
Loss for the period	-	-	-	-	-	(4 474)	(4 474)	(5 049)	(9 523)
Other comprehensive income	-	-	-	1 763	10	-	1 773	1 779	3 552
Total comprehensive income/ (loss)	-	-	-	1 763	10	(4 474)	(2 701)	(3 270)	(5 971)
As at 30 June 2012	104 479	42 343	715	(3 291)	(721)	114 540	258 065	148 182	406 247

Interim consolidated statement of changes in equity (cont'd)

	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			
At 31 December 2010	148 660	60 249	1 017	(7 156)	(1 599)	179 293	380 465	229 124	609 589
Loss for the period	-	-	-	-	-	(1 025)	(1 025)	(482)	(1 507)
Other comprehensive (loss)/ income	-	-	-	(9 971)	553	-	(9 418)	(9 439)	(18 857)
Total comprehensive (loss)/ income	-	-	-	(9 971)	553	(1 025)	(10 443)	(9 921)	(20 364)
Dividends declared	-	-	-	-	-	-	-	(6 763)	(6 763)
As at 30 June 2011 (restated)	148 660	60 249	1 017	(17 127)	(1 046)	178 268	370 022	212 440	582 462
Loss for the period	-	-	-	-	-	(8 927)	(8 927)	(6 906)	(15 833)
Other comprehensive income	-	-	-	9 936	6	-	9 942	9 963	19 904
Total comprehensive income/ (loss)	-	-	-	9 936	6	(8 927)	1 015	3 057	4 071
Dividends declared	-	-	-	-	-	-	-	-	-
Balances as of 31 December 2011	148 660	60 249	1 017	(7 191)	(1 040)	169 341	371 036	215 497	586 533
Loss for the period	-	-	-	-	-	(6 366)	(6 366)	(7 184)	(13 550)
Other comprehensive income/ (loss)	-	-	-	2 508	14	-	2 522	2 532	5 054
Total comprehensive (loss)/ income	-	-	-	2 508	14	(6 366)	(3 844)	(4 652)	(8 496)
As at 30 June 2012	148 660	60 249	1 017	(4 683)	(1 026)	162 975	367 192	210 845	578 037

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:

		30.06.2012.	31.12.2011	30.06.2011.
As at the reporting period-end	USD/LVL	0.562000	0.544000	0.489000
	EUR/LVL	0.702804	0.702804	0.702804
Average rate per period	USD/LVL	0.541623		0.501808

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.06.2012: 1 EUR = 0.702804 LVL, 30.06.2011: 1 EUR = 0.702804 LVL.

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

For the period ended 30 June

2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2012 LVL th	2011 LVL th	2012 LVL th	2011 LVL th	2012 LVL th	2011 LVL th	2012 LVL th	2011 LVL th	2012 LVL th	2011 LVL th	2012 LVL th	2011 LVL th
Revenue from external customers	43 230	34 780	30 301	23 321	-	-	73 531	58 101	-	-	73 531	58 101
Intersegment revenue	-	-	-	-	139	174	139	174	(139)	(174)	-	-
Voyage costs	-	-	(7 450)	(835)	-	-	(7 450)	(835)	-	-	(7 450)	(835)
Vessel operating costs	-	-	(9 863)	(11 607)	-	-	(9 863)	(11 607)	-	-	(9 863)	(11 607)
Cost of sales (vessel operating costs excluding)	(33 071)	(24 708)	(802)	(795)	-	-	(33 873)	(25 503)	-	-	(33 873)	(25 503)
Other revenue	-	-	270	215	-	-	270	215	-	-	270	215
Depreciation and amortisation	(4 048)	(4 572)	(7 421)	(6 590)	(10)	(6)	(11 479)	(11 168)	-	-	(11 479)	(11 168)
Impairment of non-financial assets *	-	-	(13 373)	-	-	-	(13 373)	-	-	-	(13 373)	-
Interest income	293	233	8	23	602	541	903	797	(126)	-	777	797
Interest expense	-	-	(4 724)	(4 989)	(40)	-	(4 764)	(4 989)	126	-	(4 638)	(4 989)
Net result before taxes	6 404	5 733	(13 054)	(1 257)	691	709	(5 959)	5 185	(139)	(174)	(6 098)	5 011
Segment assets	202 343	184 036	332 042	311 879	89 545	83 127	623 930	579 042	(26 815)	(37)	597 115	579 005
Unallocated:												
Assets of subsidiaries not included in segment											2 350	2 315
Investment properties											1 006	1 672
Financial assets at fair value through profit and loss											-	-
Available-for-sale financial assets											16 243	15 662
Total consolidated assets											616 714	598 654
Including additions to non-current assets	1 551	842	1 906	25 249	1	-	3 458	26 091	-	-	3 458	26 091

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

For the period ended 30 June

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2012	2011
	LVL thousand	LVL thousand
Segment result	(6 098)	5 011
Reconciliation to (loss)/ profit before taxes:		
General and administrative expenses (excluding depreciation)	(4 071)	(4 296)
Selling expenses	(9)	(2)
Other operating income/ (expenses), net	360	(1 419)
Other financial income, net	595	145
Adjustments and eliminations	139	174
LOSS BEFORE TAXES:	(9 084)	(387)

* Impairment of non financial assets in amount of LVL 13 373 thousand relates to the impairment of the fleet recognised in H1/2012. The decrease in the value of the fleet reflects the difficulties that all ship-owners continue to experience in the current financial environment.

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

For the period ended 30 June

2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2012 EUR th	2011 EUR th	2012 EUR th	2011 EUR th	2012 EUR th	2011 EUR th	2012 EUR th	2011 EUR th	2012 EUR th	2011 EUR th	2012 EUR th	2011 EUR th
Revenue from external customers	61 511	49 487	43 114	33 183	-	-	104 625	82 670	-	-	104 625	82 670
Intersegment revenue	-	-	-	-	198	248	198	248	(198)	(248)	-	-
Voyage costs	-	-	(10 600)	(1 188)	-	-	(10 600)	(1 188)	-	-	(10 600)	(1 188)
Vessel operating costs	-	-	(14 034)	(16 515)	-	-	(14 034)	(16 515)	-	-	(14 034)	(16 515)
Cost of sales (vessel operating costs excluding)	(47 056)	(35 156)	(1 141)	(1 131)	-	-	(48 197)	(36 287)	-	-	(48 197)	(36 287)
Other revenue	-	-	384	306	-	-	384	306	-	-	384	306
Depreciation and amortisation	(5 760)	(6 505)	(10 559)	(9 377)	(14)	(9)	(16 333)	(15 891)	-	-	(16 333)	(15 891)
Impairment of non-financial assets *	-	-	(19 028)	-	-	-	(19 028)	-	-	-	(19 028)	-
Deconsolidation of net financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	417	332	11	33	857	770	1 285	1 135	(179)	-	1 106	1 135
Interest expense	-	-	(6 722)	(7 099)	(57)	-	(6 779)	(7 099)	179	-	(6 600)	(7 099)
Net result before taxes	9 112	8 158	(18 575)	(1 788)	984	1 009	(8 479)	7 379	(198)	(248)	(8 677)	7 131
Segment assets	287 908	261 860	472 453	443 764	127 412	118 279	887 773	823 903	(38 154)	(53)	849 619	823 850
Unallocated:												
Assets of subsidiaries not included in segment											3 344	3 294
Investment properties											1 431	2 379
Available-for-sale financial assets											23 112	22 285
Total consolidated assets											877 506	851 808
Including additions to non-current assets	2 207	1 198	2 712	35 926	1	-	4 920	37 124	-	-	4 920	37 124

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

For the period ended 30 June

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2012	2011
	EUR thousand	EUR thousand
Segment result	(8 679)	7 129
Reconciliation to (loss)/ profit before taxes:		
General and administrative expenses (excluding depreciation)	(5 790)	(6 113)
Selling expenses	(13)	(3)
Other operating income/ (expenses), net	512	(2 019)
Other financial income, net	847	206
Adjustments and eliminations	198	248
LOSS BEFORE TAXES:	(12 925)	(552)

* Impairment of non financial assets in amount of EUR 19 028 thousand relates to the impairment of the fleet recognised in H1/2012. The decrease in the value of the fleet reflects the difficulties that all ship-owners continue to experience in the current financial environment.