



VENTSPILS NAFTA

**AS VENTSPILS NAFTA
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2012**

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Information about Ventspils nafta

Name of the company	AS <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 AS <i>Ventspils nafta</i>	66% <i>SIA LatRosTrans</i> LRDS "Ilukste", Sederes pagasts, Ilukstes novads, LV-5474 51% <i>SIA Ventspils nafta termināls</i> Talsu street 75, LV-3602, Ventspils 49.94% <i>AS Latvijas kuģniecība</i> (Latvian Shipping Company) Elizabetes street 1, LV-1807, Riga, Latvia

About the Company

Ventspils nafta (VN) Group (AS *Ventspils nafta* and its subsidiaries) is one of the largest groups of companies in Latvia. The core companies of the group are the crude oil and petroleum products terminal *Ventspils nafta termināls*, which is the largest in the Baltics; the largest Latvian-Russian joint venture in the Baltic States *LatRosTrans*, which provides transportation of petroleum products by the main diesel pipeline and which also owns the main pipeline for transport of crude oil; as well as *Latvijas kuģniecība*, which owns one of the largest global fleets in the medium size and handy tanker segment.

Mission

The mission of AS *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 VN 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.

Vision

The goal of AS *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.

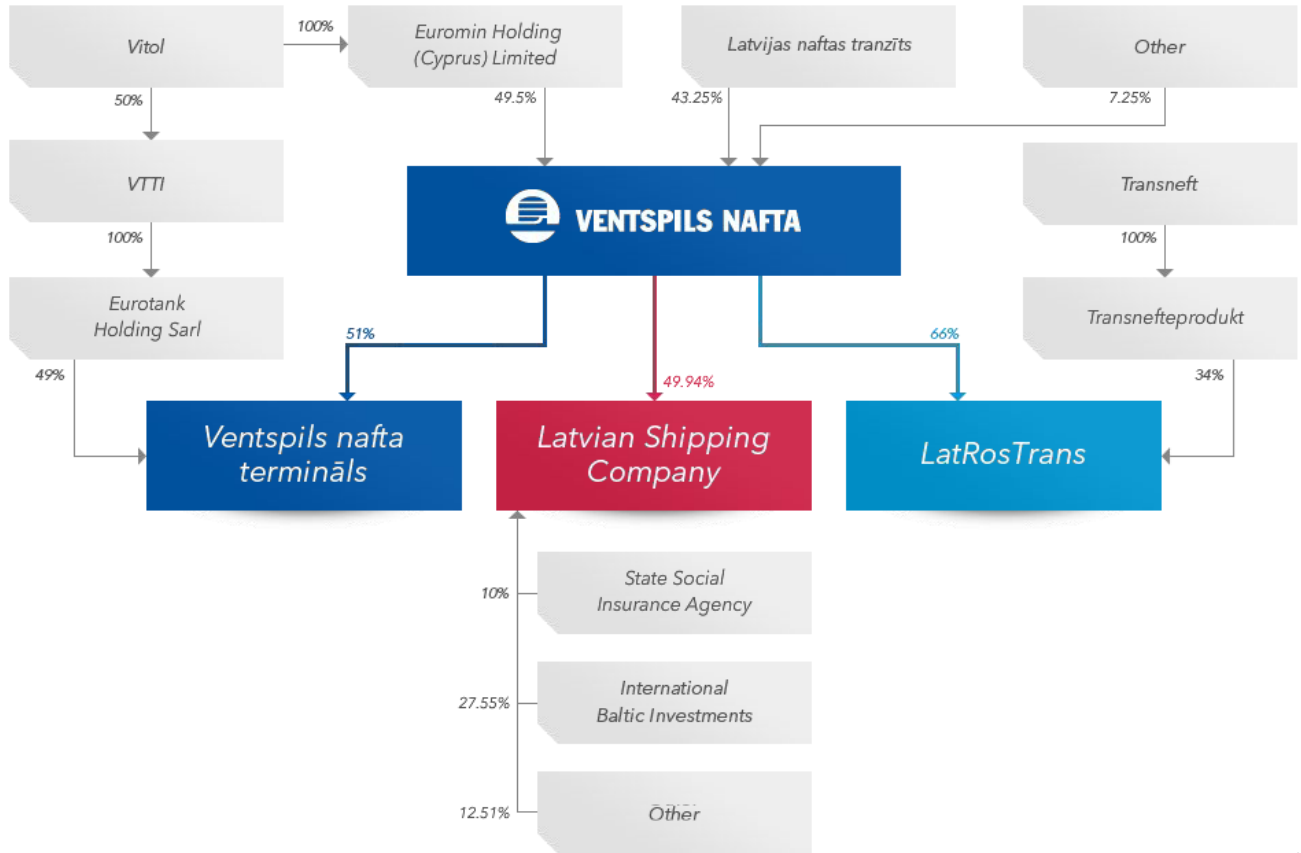
The goal of the VN Group of companies is to become a globally recognised petroleum products transportation, storage and shipping group – so that what the name *Ventspils nafta* signifies to our partners and the Latvian people is reliability, excellent quality of service, high environmental protection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

Strategy

The strategy of *Ventspils nafta*, the Group's parent company is to improve performance of Group companies by providing policy advice and international know-how on down-stream oil business, by organising joint public procurement tenders and coordinating business activities including corporate loans and communication policy. In this respect it is the VN Group's intention to streamline Group activities by introducing best business practices and good corporate governance standards to improve shareholders value.

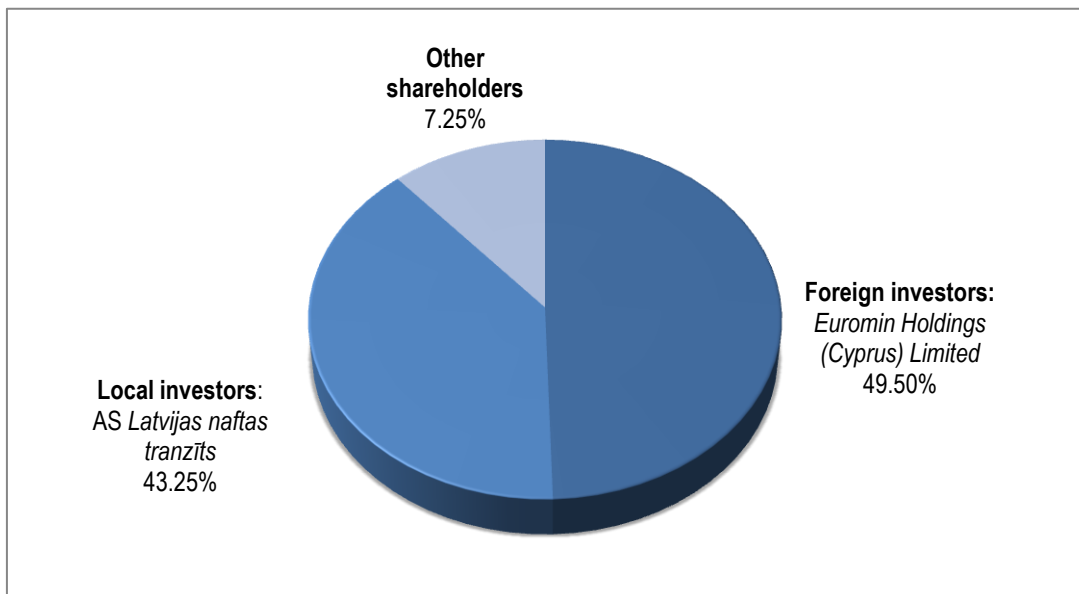
Corporate structure

Corporate structure of AS Ventspils nafta as at 31 December 2012



Shareholders

Main shareholders (over 5%) of AS Ventspils nafta as at 31 December 2012



Information on shares

ISIN	LV0000100816
Ticker	VNF1R
Nominal value	1.00 LVL
Total number of securities	104 479 519
Number of listed securities	60 598 121
List	Baltic Official List, NASDAQ OMX Riga
Listing date	20 October 1998
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBGI, OMXBPI, OMXRGI

Trading information (1 January 2012 – 31 December 2012)

Open	1.200 LVL
Max	1.259 LVL
Min	1.000 LVL
Last	1.070 LVL
Average price	1.12 LVL
Change	-10.83 %
Deals	1 559
No of shares traded	1 222 348
Turnover	1 635 699.12 LVL
Capitalisation on 2012.12.31	111 793 085.33 LVL

Trading information (2008-2012)

Price	2008	2009	2010	2011	2012
Open, LVL	2.200	0.700	0.920	1.449	1.200
High, LVL	2.400	1.500	1.890	1.479	1.259
Low, LVL	0.680	0.590	0.910	1.013	1.000
Last, LVL	0.700	0.940	1.400	1.200	1.070
Traded volume	1,439,542	900,402	1,492,345	1,632,287	1,222,348
Turnover, million LVL	2.77	0.89	2.22	2.32	1.64
Capitalisation, million LVL	73.14	98.21	146.27	125.38	111.79

Share price (LVL) (1 January 2012 – 31 December 2012)



Share price (LVL) (2009-2012)



Share price in comparison with NASDAQ OMX Riga index (1 January 2012 – 31 December 2012)



Index/Equity	01.01.2012	31.12.2012	+/-%
— OMX Riga	371.16	395.91	6.67 ↑
— VNF1R	1.20 LVL	1.07 LVL	-10.83 ↓

Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

Supervisory Council

(as at the date of signing of the financial statements)

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Mikhail Dvorak
Members of the Council:	Javed Ahmed Rubel Yilmaz Mark Ware Christophe Theophanis Matsacos Oļegs Stepanovs Igor Skoks Olafs Berķis Genādijs Ševcovs Ivars Bērziņš

To the best of the Company's knowledge no member of the Supervisory Council has more than 5% of direct ownership in any of VN Group's business partners, suppliers, clients or related companies.

The changes in the Council during the period from 1 January 2012 to 15 February 2013 were as follows:

Elected	Dismissed	Name	Position held
25/07/2012	-	Oļegs Stepanovs	Member of the Council
25/07/2012	-	Igor 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

According to the Council's resolution of 27 February 2012 and of 30 August 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.

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 AS Ventspils Nafta 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.



Oļegs Stepanovs is a member of the Supervisory Council of Ventspils nafta since July 25, 2012. He is a Doctor of Economic Sciences, Member of the Supervisory Council of AS Latvijas kuģniecība, 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 Ventspils nafta shares.



Igors Skoks is a member of the AS Ventspils nafta Supervisory Council since 25 July 2012. 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 SIA LatRosTrans and JSC Preses nams. He is Chairman of the JSC Aureus kapitāls Supervisory Council.

Mr Igors Skoks does not possess any Ventspils nafta shares.



Olafs Berķis is a member of the AS Ventspils nafta Supervisory Council since 25 July 2012. 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 Ventspils nafta shares.



Genādijs Ševcovs is a member of the AS Ventspils nafta Supervisory Council since 25 July 2012. 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 Genādijs Ševcovs has 2525 shares of AS Ventspils nafta.



Ivars Bērziņš is a member of the AS Ventspils nafta Supervisory Council since 25 July 2012. 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 Ventspils nafta shares.

Management Board

(as at the date of signing the consolidated financial statements)

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

No member of the Management Board has more than 5% of direct ownership in any of VN Group's business partners, suppliers, clients or related companies.

On 30 August 2012 the Supervisory Council has re-appointed Simon Boddy in the position of Chairman of the Management Board for the next three years. The new term of office of Simon Boddy starts on October 15, 2012. There were no other changes in the Management Board during the period from 1 January 2012 to 15 February 2013.

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. Mendelejev University of Chemical Technology of Russia.

Mr Boris Bednov does not possess any Ventspils nafta shares.



Aleksiej 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 Aleksiej Tarasov does not possess any Ventspils nafta shares.

Statement of Management's responsibilities

The Management Board of AS *Ventspils nafta* prepares condensed interim consolidated financial statements for each reporting period. These condensed interim consolidated financial statements give a true and fair view of the state of affairs of the AS *Ventspils nafta* and its subsidiaries (hereafter – the Group) as of 31 December 2012, changes in shareholders' equity, cash flows and the results of the Group for the twelve month period ended 31 December 2012.

The aforementioned financial statements are prepared in accordance with applicable legislation on a going concern basis. During the reporting period, appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments 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 enable the management to ensure that financial statements are drawn up pursuant to applicable legislation.

Riga, 15 February 2013

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Management Report

Dear shareholders, clients and cooperation partners,

AS *Ventspils nafta* and its subsidiaries (hereafter – *VN Group*) is one of the largest groups of companies in Latvia and works in the petroleum product transport and storage sector. AS *Ventspils nafta* (hereafter – *VN*) manages investments in subsidiary companies, by promoting the Group's joint values and growth in value of each individual company.

VN Group

The unaudited revenue of the *VN Group* in 2012 was LVL 135.7 million, which is LVL 17.5 million or 14.8% more than in 2011. The unaudited gross profit of the *VN Group* reached LVL 26.96 million, exceeding the gross profit of 2011 by LVL 8.66 million. The *VN Group's* unaudited net profit of 2012 was LVL 3.23 million, which can be evaluated as a positive result opposite to the losses of the *VN Group* in 2011 (LVL 12.19 million). In 2012, the unaudited net profit attributable to shareholders of the parent company of the *VN Group* was LVL 3.75 million. The unaudited administrative costs of the *VN Group* in 2012 were 18.3 % lower compared to 2011. The *VN Group's* joint financial results are still substantially affected by losses of the *Latvian Shipping Company (LSC) Group* from impairment of the fleet. The *VN Group's* unaudited assets were LVL 607.35 million as at December 31, 2012 (31.12.2011: LVL 629.48 million)

Ventspils nafta

In 2012 the unaudited revenue of *VN* was LVL 255 thousand, which is 21% less in comparison with 2011. This revenue came mostly from management consultations provided by *VN* to companies of the *VN Group*. The unaudited financial income of *VN* in 2012 was LVL 964 thousand, which is LVL 269 thousand less than in 2011. Regardless of the decrease in income, in 2012 *VN* worked with unaudited net profit of LVL 271 thousand.

In 2012 *VN* continued working on cost reduction. The administrative costs of *VN* have decreased from LVL 1 095 thousand in 2011 to LVL 906 thousand in 2012, or by 17.3%.

In the beginning of 2012, *VN* changed its policy in relation to consolidation of financial results of companies of the *VN Group*, by further including the financial result of *LSC* in the consolidation.

As at December 31, 2012, the registered and paid-up share capital of *VN* is LVL 104 479 519, and it is formed by 104 479 519 shares having a nominal value of LVL 1 per share. There are 60 598 121 shares in public circulation listed at NASDAQ OMX Riga (previous title – Riga Stock Exchange) and included in the Baltic Official List. According to the decisions of the extraordinary shareholders' meeting held on 6 November 2012 the shareholders decided convert registered 43 881 398 paper form registered shares into 43 881 398 dematerialised bearer shares. The extraordinary shareholders' meeting of November 6, 2012 also decided to include in the Baltic Official List of JSC NASDAQ OMX Riga 43 881398 bearer shares of *VN*, which previously were not included in the regulated market.

Ventspils nafta terminals

In 2012, SIA *Ventspils nafta termināls* (hereafter – *VNT*) increased its transshipment volumes from 11.4 million metric tons in 2011 to 12.0 million metric tons of various petroleum products. Throughput of products delivered by railway and vessels was 5.5 million metric tons and throughput of pipeline gasoil was 6.5 million metric tons.

In 2012, unaudited revenue of SIA *Ventspils nafta termināls* exceeded LVL 60.4 million, while the unaudited net profit for the reporting period amounted to LVL 10.4 million.

LatRosTrans

In 2012 SIA *LatRosTrans* (hereafter – *LRT*) has worked with unaudited net profit of LVL 11.74 million, the company's unaudited revenue was LVL 12.16 million. From the unaudited profit of 2012, LVL 14.95 million is attributable to net income from sale of crude oil, by deducting the related costs.

Petroleum product transport volumes of SIA *LatRosTrans* reached 6.308 million tons in the reporting year, which has increased by 517 thousand tons or 8.93% compared to the 2011.

Latvian Shipping Company

In 2012, *LSC Group* has worked with an unaudited net loss of USD 35.67 million and the unaudited consolidated revenue of USD 115.66 million. The main reason why *LSC Group* has worked with the loss is the impairment of the fleet.

Improvement of Investor Relations

In 2012, the *VN Group* put serious effort into improving its Investor Relations. Acknowledging the previous problems with information disclosure, a conscious decision was made to become more transparent, thus reflecting the enormous changes that the Group has gone through in recent years. Group companies held a second business update meeting on 28 November 2012, to which investors, the media, state representatives and opinion leaders were invited. The parent company also held a webinar for investors and created new corporate websites for all Group companies helping to achieve higher levels of disclosure and transparency on-line. Since 2012 all Group companies are present in social media.

Goals 2012 and 2013

The goals set for 2012 by *VN* have been met – *VN* has made a profit, the administrative costs of the Company have been maintained at an historically low level and the Company has shown tremendous improvement in investor relations and increased level of transparency.

In 2013 the Company aims to show positive financial results and further improve its corporate governance standards. The whole *VN Group* aims to finish 2013 with better financial results than 2012.

Operational environment

The parent company operates solely in Latvia by providing services of a holding company, however two companies of *VN Group* – *LRT* and *VNT* while operating in Latvia provide their transshipment for oil products coming mainly from Russia and Belorussia and sent all over the world. Thus their business, especially that of *LRT*, is influenced by regional politics of the countries supplying oil products.

In addition, *VNT* like all terminals is subject to the shape of the global oil product market. *VNT's* operations are also affected by rail tariffs where encouraging news has appeared recently indicating that regional rail tariffs will be WTO compliant, which would provide a major boost to Baltic States transit.

LSC operates globally by providing shipping services to and from more than 50 countries. The most important external factor influencing *LSC's* operations is global demand for oil products which directly correlates with global economic activity. Thus the operational environment of *LSC* is directly linked to the future development of the oil product market, affected both by the global economic situation and by international and regional politics, which means that in 2013 it will continue to be rather unpredictable and volatile.

Riga, 15 February 2013

On behalf of the Management Board:

Simon Boddy
Chairman of the Management Board

Interim consolidated income statement

For the year ended 31 December

	2012	2011	2012	2011
	<u>LVL'000</u>	<u>LVL'000</u>	<u>EUR '000</u>	<u>EUR '000</u>
Revenue	135 725	118 241	193 119	168 242
Cost of goods sold	<u>(108 761)</u>	<u>(99 924)</u>	<u>(154 753)</u>	<u>(142 179)</u>
Gross profit	26 964	18 317	38 366	26 063
General and administrative expense	(9 130)	(11 184)	(12 990)	(15 914)
Other operating income	16 414	10 894	23 355	15 501
Other operating expense	(1 750)	(7 809)	(2 490)	(11 112)
Impairment of other non-financial assets	(15 279)	(14 262)	(21 740)	(20 293)
Finance income	1 358	3 147	1 932	4 478
Finance costs	<u>(10 624)</u>	<u>(10 427)</u>	<u>(15 117)</u>	<u>(14 836)</u>
Profit/ (Loss) before tax	7 953	(11 324)	11 316	(16 113)
Corporate income tax	<u>(4 727)</u>	<u>(862)</u>	<u>(6 727)</u>	<u>(1 227)</u>
Profit/ (Loss) for the year	<u>3 226</u>	<u>(12 186)</u>	<u>4 589</u>	<u>(17 340)</u>
Attributable to:				
Parent company's shareholders	3 751	(6 994)	5 336	(9 952)
Non-controlling interest	<u>(525)</u>	<u>(5 192)</u>	<u>(747)</u>	<u>(7 388)</u>
	<u>3 226</u>	<u>(12 186)</u>	<u>4 589</u>	<u>(17 340)</u>
Profit/ (Loss) per share attributable				
to the Parent company's shareholders:	<u>LVL 0,04</u>	<u>LVL (0,07)</u>	<u>EUR 0,06</u>	<u>EUR (0,10)</u>
Profit/ (Loss) per share	<u>LVL 0,03</u>	<u>LVL (0,12)</u>	<u>EUR 0,04</u>	<u>EUR (0,17)</u>

On behalf of the Management Board:

Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of comprehensive income

For the year ended 31 December

	2012 LVL'000	2011 LVL'000	2012 EUR '000	2011 EUR '000
Profit/ (Loss) for the year	3 226	(12 186)	4 589	(17 340)
Other comprehensive (loss)/ income				
- Foreign currency revaluation reserve	(2 784)	(52)	(3 961)	(74)
- Cash flow hedge reserve	418	788	595	1 121
Other comprehensive (loss)/ income for the year	(2 366)	736	(3 366)	1 047
Total comprehensive profit/ (loss) for the year	860	(11 450)	1 223	(16 293)
Attributable to:				
Parent company's shareholders	2 569	(6 626)	3 655	(9 429)
Non-controlling interests	(1 709)	(4 824)	(2 432)	(6 864)
	860	(11 450)	1 223	(16 293)

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of financial position

	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.
	LVL'000	LVL'000	EUR '000	EUR '000
Assets				
Non-current assets				
Intangible assets	25 252	25 361	35 930	36 085
Property, plant and equipment	394 588	401 397	561 450	571 136
Investment properties	869	883	1 236	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	23 779	25 753	33 835	36 643
Total non-current assets	492 254	501 160	700 416	713 085
Current assets				
Inventories	3 049	2 949	4 338	4 196
Trade and other receivables	12 886	25 571	18 335	36 384
Short term deposits	31 823	18 045	45 280	25 676
Other current financial assets	16 700	16 100	23 762	22 909
Cash and cash equivalents	50 635	33 343	72 047	47 443
	115 093	96 008	163 762	136 608
Assets classified as held for sale	-	32 314	-	45 979
Total current assets	115 093	128 322	163 762	182 587
Total assets	607 347	629 482	864 178	895 672

On behalf of the Management Board:

 Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of financial position (cont'd)

	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.
	LVL'000	LVL'000	EUR '000	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	(6 445)	(5 054)	(9 170)	(7 191)
Cash flow hedge reserve	(522)	(731)	(743)	(1 040)
Other reserves	119 014	126 008	169 341	179 293
Profit/ (Loss) for the year	3 751	(6 994)	5 337	(9 952)
Equity attributable to equity holders of the parent				
	263 335	260 766	374 691	371 036
Non-controlling interest	149 743	151 452	213 065	215 497
Total equity	413 078	412 218	587 756	586 533
Non-current liabilities				
Borrowings	141 377	161 678	201 161	230 047
Finance lease	12 935	14 021	18 405	19 950
Deferred tax liability	5 033	1 070	7 161	1 522
Deferred income	2 470	2 623	3 514	3 732
Derivative financial instruments	643	500	915	711
Total non-current liabilities	162 458	179 892	231 156	255 962
Current liabilities				
Borrowings	16 421	16 962	23 365	24 135
Finance lease	768	687	1 093	978
Trade and other payables	11 436	11 498	16 275	16 360
Taxes payable	419	436	596	620
Derivative financial instruments	402	963	572	1 370
Deferred income	1 441	5 735	2 050	8 160
Provisions	924	1 091	1 315	1 554
Total current liabilities	31 811	37 372	45 266	53 177
Total liabilities	194 269	217 264	276 422	309 139
Total equity and liabilities	607 347	629 482	864 178	895 672

On behalf of the Management Board:

Simon Boddy
 Chairman of the Management Board

Interim consolidated statement of cash flows

For the year ended 31 December

	2012	2011	2012	2011
	<u>LVL'000</u>	<u>LVL'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Operating activities				
Profit/ (Loss) before tax	7 953	(11 324)	11 316	(16 112)
<u>Adjustments for:</u>				
Depreciation and amortisation	23 689	22 225	33 707	31 623
Depreciation of investment properties	-	14	-	20
Increase in financial instruments	-	(11)	-	(16)
Loss on disposal of non-financial assets	292	1 765	415	2 511
Currency translation difference	593	(1 465)	844	(2 085)
Interest income	(1 358)	(1 752)	(1 932)	(2 493)
Interest expense	9 470	10 324	13 475	14 690
Recognized impairment	15 279	14 262	21 740	20 293
Changes in fair value of financial assets	-	(11)	-	(16)
	<u>55 918</u>	<u>34 027</u>	<u>79 565</u>	<u>48 415</u>
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	13 757	(10 072)	19 575	(14 332)
Changes in inventories	(165)	(967)	(235)	(1 376)
Changes in trade and other payables	(5 821)	2 095	(8 284)	2 982
	<u>63 689</u>	<u>25 083</u>	<u>90 621</u>	<u>35 689</u>
Corporate income tax paid	(848)	(2 282)	(1 207)	(3 247)
Net cash flows from operating activities	<u>62 841</u>	<u>22 801</u>	<u>89 414</u>	<u>32 442</u>
Net cash flows used in investing activities	(19 381)	(13 121)	(27 577)	(18 670)
Cash flows before financing activities	<u>43 460</u>	<u>9 680</u>	<u>61 837</u>	<u>13 772</u>
Net cash flows used in financing activities	(26 098)	(6 732)	(37 134)	(9 579)
Net increase in cash and cash equivalents	<u>17 362</u>	<u>2 948</u>	<u>24 703</u>	<u>4 193</u>
Cash and cash equivalents as at 1 January	33 343	30 766	47 443	43 776
Exchange gain on cash and cash equivalents	(70)	(371)	(100)	(528)
Cash and cash equivalents as at 31 December	<u>50 635</u>	<u>33 343</u>	<u>72 046</u>	<u>47 441</u>

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	-	-	-	-	-	(6 994)	(6 994)	(5 192)	(12 186)
Other comprehensive (loss)/income	-	-	-	(25)	393	-	368	368	736
Total comprehensive (loss)/income	-	-	-	(25)	393	(6 994)	(6 626)	(4 824)	(11 450)
Dividends declared	-	-	-	-	-	-	-	(4 753)	(4 753)
As at 31 December 2011	104 479	42 343	715	(5 054)	(731)	119 014	260 766	151 452	412 218
Profit for the period	-	-	-	-	-	3 751	3 751	(525)	3 226
Other comprehensive (loss)/income	-	-	-	(1 391)	209	-	(1 182)	(1 184)	(2 366)
Total comprehensive (loss)/income	-	-	-	(1 391)	209	3 751	2 569	(1 709)	860
As at 31 December 2012	104 479	42 343	715	(6 445)	(522)	122 765	263 335	149 743	413 078

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

	Attributable to the equity holders of the parent						Total	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	-	-	-	-	-	(9 952)	(9 952)	(7 388)	(17 340)
Other comprehensive (loss)/income	-	-	-	(36)	559	-	523	524	1 047
Total comprehensive (loss)/income	-	-	-	(36)	559	(9 952)	(9 429)	(6 864)	(16 293)
Dividends declared	-	-	-	-	-	-	-	(6 763)	(6 763)
As at 31 December 2011	148 660	60 249	1 017	(7 192)	(1 040)	169 341	371 036	215 497	586 533
Profit for the period	-	-	-	-	-	5 336	5 336	(747)	4 589
Other comprehensive (loss)/income	-	-	-	(1 978)	297	-	(1 681)	(1 685)	(3 366)
Total comprehensive (loss)/income	-	-	-	(1 978)	297	5 336	3 655	(2 432)	1 223
As at 31 December 2012	148 660	60 249	1 017	(9 170)	(743)	174 677	374 691	213 065	587 756

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 AS *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.

In 2012 the Group has made certain reclassifications between different captions of the consolidated income statement. The comparatives have been restated conform to the new presentation. The reclassifications had no effect on the statement of financial position as of 31 December 2011.

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 SIA *Ventspils Nafta Termināls*, SIA *LatRosTrans* and AS *Ventspils Nafta* is Latvian lat (LVL), the functional currency of AS *Latvijas kuģniecība* 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:

		31.12.2012.	31.12.2011.
As at the reporting year-end	USD/LVL	0.531000	0.544000
Average rate per period	USD/LVL	0.546937	0.505410

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.12.2012: 1 EUR = 0.702804 LVL, 31.12.2011: 1 EUR = 0.702804 LVL due to the requirements of JSC NASDAQ OMX Riga.

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

For the year ended 31 December

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	72 589	68 928	62 614	48 839	-	-	135 203	117 767	-	-	135 203	117 767
Intersegment revenue	-	-	-	13	255	323	255	336	(255)	(336)	-	-
Voyage costs	-	-	(14 291)	(4 392)	-	-	(14 291)	(4 392)	-	-	(14 291)	(4 392)
Chartering expenses	-	-	-	(2 794)	-	-	-	(2 794)	-	-	-	(2 794)
Vessel operating costs	-	-	(20 213)	(21 014)	-	-	(20 213)	(21 014)	-	-	(20 213)	(21 014)
Cost of sales (vessel operating costs excluding)	(50 633)	(48 877)	(380)	(152)	-	-	(51 013)	(49 029)	-	9	(51 013)	(49 020)
Other revenue	-	-	522	475	-	-	522	475	-	(1)	522	474
Depreciation and amortisation	(8 146)	(9 064)	(15 524)	(13 162)	(19)	(12)	(23 689)	(22 238)	-	-	(23 689)	(22 238)
Impairment of non-financial assets *	-	-	(15 279)	(14 262)	-	-	(15 279)	(14 262)	-	-	(15 279)	(14 262)
Interest income	699	883	15	37	1 191	1 233	1 905	2 153	(328)	7	1 577	2 160
Interest expense	-	-	(9 798)	(10 434)	(213)	-	(10 011)	(10 434)	328	(7)	(9 683)	(10 441)
Net result before taxes	14 509	11 870	(12 334)	(16 846)	1 214	1 544	3 389	(3 432)	(255)	(328)	3 134	(3 760)
Segment assets	222 613	197 592	301 126	335 249	89 335	78 546	613 074	611 387	(25 915)	(1 170)	587 159	610 217
Unallocated:												
Assets of subsidiaries not included in segment											3 323	2 282
Investment properties											869	883
Available-for-sale financial assets											15 996	16 100
Total consolidated assets											607 347	629 482
Including additions to non-current assets	4 015	2 098	2 687	38 324	1	732	6 703	41 154	-	-	6 703	41 154

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

For the year ended 31 December

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2012	2011
	LVL thousand	LVL thousand
Segment result	3 134	(3 760)
Reconciliation to profit/ (loss) before taxes:		
General and administrative expenses (excluding depreciation)	(8 963)	(11 022)
Impairment of financial assets	-	(4 704)
Other operating income/ (expenses), net	14 686	6 819
Other financial (expenses)/ income, net	(1 159)	1 015
Adjustments and eliminations	255	328
PROFIT/ (LOSS) BEFORE TAXES:	7 953	(11 324)

* Impairment of non financial assets in amount of LVL 15 279 thousand relates to the impairment of the fleet recognised in the year of 2012 (2011: LVL 14 262 thousand). 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 consolidated financial statements (cont'd)

For the year ended 31 December

2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th	EUR th
Revenue from external customers	103 285	98 076	89 092	69 492	-	-	192 377	167 568	-	-	192 377	167 568
Intersegment revenue	-	-	-	18	363	460	363	478	(363)	(478)	-	-
Voyage costs	-	-	(20 334)	(6 249)	-	-	(20 334)	(6 249)	-	-	(20 334)	(6 249)
Chartering costs	-	-	-	(3 976)	-	-	-	(3 976)	-	-	-	(3 976)
Vessel operating costs	-	-	(28 761)	(29 900)	-	-	(28 761)	(29 900)	-	-	(28 761)	(29 900)
Cost of sales (vessel operating costs excluding)	(72 044)	(69 546)	(541)	(216)	-	-	(72 585)	(69 762)	-	13	(72 585)	(69 749)
Other revenue	-	-	743	675	-	-	743	675	-	(1)	743	674
Depreciation and amortisation	(11 591)	(12 897)	(22 089)	(18 728)	(27)	(17)	(33 707)	(31 642)	-	-	(33 707)	(31 642)
Impairment of non-financial assets *	-	-	(21 740)	(20 293)	-	-	(21 740)	(20 293)	-	-	(21 740)	(20 293)
Interest income	995	1 256	21	53	1 695	1 754	2 711	3 063	(778)	(10)	1 933	3 053
Interest expense	-	-	(13 941)	(14 846)	(303)	-	(14 244)	(14 846)	778	10	(13 466)	(14 836)
Net result before taxes	20 645	16 889	(17 550)	(23 970)	1 728	2 197	4 823	(4 884)	(363)	(466)	4 460	(5 350)
Segment assets	316 750	281 148	428 464	477 016	127 114	111 762	872 328	869 926	(36 874)	(1 665)	835 454	868 261
Unallocated:												
Assets of subsidiaries not included in segment											4 728	3 247
Investment properties											1 236	1 256
Available-for-sale financial assets											22 760	22 908
Total consolidated assets											864 178	895 672
Including additions to non-current assets	5 713	2 985	3 823	54 530	1	1 042	9 537	58 557	-	-	9 537	58 557

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

For the year ended 31 December

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2012	2011
	EUR thousand	EUR thousand
Segment result	4 460	(5 350)
Reconciliation to profit/ (loss) before taxes:		
General and administrative expenses (excluding depreciation)	(12 755)	(15 684)
Impairment of financial assets	-	(6 693)
Other operating income/ (expenses), net	20 896	9 703
Other financial (expenses)/ income, net	(1 649)	1 444
Adjustments and eliminations	363	467
PROFIT/ (LOSS) BEFORE TAXES:	11 315	(16 113)

* Impairment of non financial assets in amount of EUR 21 740 thousand relates to the impairment of the fleet recognised in the year of 2012 (2011: EUR 20 293 thousand). 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 consolidated financial statements (cont'd)

3. Related party transactions

The related party transactions performed by the *VN Group* during the reporting year can be seen in the table below:

Related party	2012 Nature of services	Income		Expense		Amounts due	Amounts due
		LVL thousand	LVL thousand	LVL thousand	LVL thousand	from related parties	to related parties
Euromin Holdings (Cyprus) Ltd	Interest income	797	-	-	-	47 759	-
Ventspils Tank Services SA	Reloading services/ transportation of oil	71 547	-	-	-	1 488	(1 247)
Eurotank Holding SARL	Consulting services	-	(177)	-	-	-	-
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(142)	-	-	-	-
Ventspils Tank Services SA	Storage of oil	-	(2 463)	-	-	-	-
Mansel Oil Ltd.	Tech.management fee/IT services	216	-	-	-	4	-
Mansel Oil Ltd.	Voyage income	15 776	-	-	-	63	(748)
Vitol S.A.	Voyage income	4 095	-	-	-	67	-
Vitol Asia Pte	Voyage income	569	-	-	-	163	-
Vitol Bahrain E.C.	Voyage income	114	-	-	-	-	-
Vitol S.A.	Selling of crude oil	18 829	(36)	-	-	-	-
TOTAL:		111 943	(2 818)	49 544	(1 995)		

Including:

Non-current				47 759	-
Current				1 785	-
Deferred income				-	(1 995)
TOTAL:				49 544	(1 995)

The related party transactions performed by the *VN Group* during the previous reporting year can be seen in the table below:

Related party	2011 Nature of services	Income		Expense		Amounts due	Amounts due
		LVL thousand	LVL thousand	LVL thousand	LVL thousand	from related parties	to related parties
Euromin Holdings (Cyprus) Ltd	Interest income	1 068	-	-	-	47 759	-
Ventspils Tank Services SA	Reloading services/ transportation of oil products	67 861	-	-	-	1 463	(1 330)
Eurotank Holding SARL	Consulting services	-	(327)	-	-	-	(176)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(71)	-	-	-	-
Ventspils Tank Services SA	Storage of oil	-	(4 264)	-	-	-	(47)
Mansel Oil Ltd.	Bunkering	-	(325)	-	-	-	-
Mansel Oil Ltd.	Management fee/IT services	81	-	-	-	-	-
Mansel Oil Ltd.	Voyage income	11 537	-	-	-	30	(4 634)
Vitol S.A.	other services	-	(9)	-	-	-	-
Vitol S.A.	Voyage income	1 007	-	-	-	-	-
Vitol Bahrain E.C.	Voyage income	668	-	-	-	-	-
Vitol S.A.	Selling of crude oil	15 942	-	-	-	16 120	-
TOTAL:		98 164	(4 996)	65 372	(6 187)		

Including:

Non-current				47 759	-
Current				17 613	(223)
Deferred income				-	(5 964)
TOTAL:				65 372	(6 187)

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

3. Related party transactions (cont'd)

The related party transactions performed by the *VN Group* during the reporting year can be seen in the table below:

Related party	2012 Nature of services	Income EUR thousand	Expense EUR thousand	Amounts due	Amounts due
				from related parties EUR thousand	to related parties EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income	1 134	-	67 955	-
Ventspils Tank Services SA	Reloading services/ transportation of oil	101 802	-	2 117	(1 774)
Eurotank Holding SARL	Consulting services	-	(252)	-	-
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(202)	-	-
Ventspils Tank Services SA	Storage of oil	-	(3 505)	-	-
Mansel Oil Ltd.	Tech.management fee/IT services	307	-	6	-
Mansel Oil Ltd.	Voyage income	22 447	-	90	(1 064)
Vitol S.A.	Voyage income	5 827	-	95	-
Vitol Asia Pte	Voyage income	810	-	232	-
Vitol Bahrain E.C.	Voyage income	162	-	-	-
Vitol S.A.	Selling of crude oil	26 791	(51)	-	-
TOTAL:		159 280	(4 010)	70 495	(2 838)
Including:					
Non-current				67 955	-
Current				2 540	-
Deferred income				-	(2 838)
TOTAL:				70 495	(2 838)

The related party transactions performed by the *VN Group* during the previous reporting year can be seen in the table below:

Related party	2011 Nature of services	Income EUR thousand	Expense EUR thousand	Amounts due	Amounts due
				from related parties EUR thousand	to related parties EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income	1 520	-	67 955	-
Ventspils Tank Services SA	Reloading services/ transportation of oil products	96 558	-	2 082	(1 892)
Eurotank Holding SARL	Consulting services	-	(465)	-	(250)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(101)	-	-
Ventspils Tank Services SA	Storage of oil	-	(6 067)	-	(67)
Mansel Oil Ltd.	Bunkering	-	(462)	-	-
Mansel Oil Ltd.	Management fee/IT services	115	-	-	-
Mansel Oil Ltd.	Voyage income	16 416	-	43	(6 594)
Vitol S.A.	other services	-	(13)	-	-
Vitol S.A.	Voyage income	1 433	-	-	-
Vitol Bahrain E.C.	Voyage income	950	-	-	-
Vitol S.A.	Selling of crude oil	22 683	-	22 937	-
TOTAL:		139 675	(7 108)	93 017	(8 803)
Including:					
Non-current				67 955	-
Current				25 062	(317)
Deferred income				-	(8 486)
TOTAL:				93 017	(8 803)