



**VENTSPILS NAFTA**

**JSC VENTSPILS NAFTA  
UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
31 March 2014**

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## Information about *Ventspils nafta*

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	Elizabetes street 1, Riga, Republic of Latvia, LV-1010
Subsidiaries of <i>JSC Ventspils nafta</i>	66% <i>LatRosTrans Ltd.</i> LRDS "Ilūkste", Šēderes pagasts, Ilūkstes novads, LV-5474  51% <i>Ventspils nafta termināls Ltd.</i> Talsu street 75, Ventspils, LV-3602  49.94% <i>JSC Latvian Shipping Company</i> Elizabetes street 1, Riga, LV-1010

## Information about Ventspils nafta (cont'd)

### About the Company

VN Group (*JSC 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 Ltd*, 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 *Latvian Shipping Company*, which owns fleet in the medium size and handy tanker segment.

### Mission

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

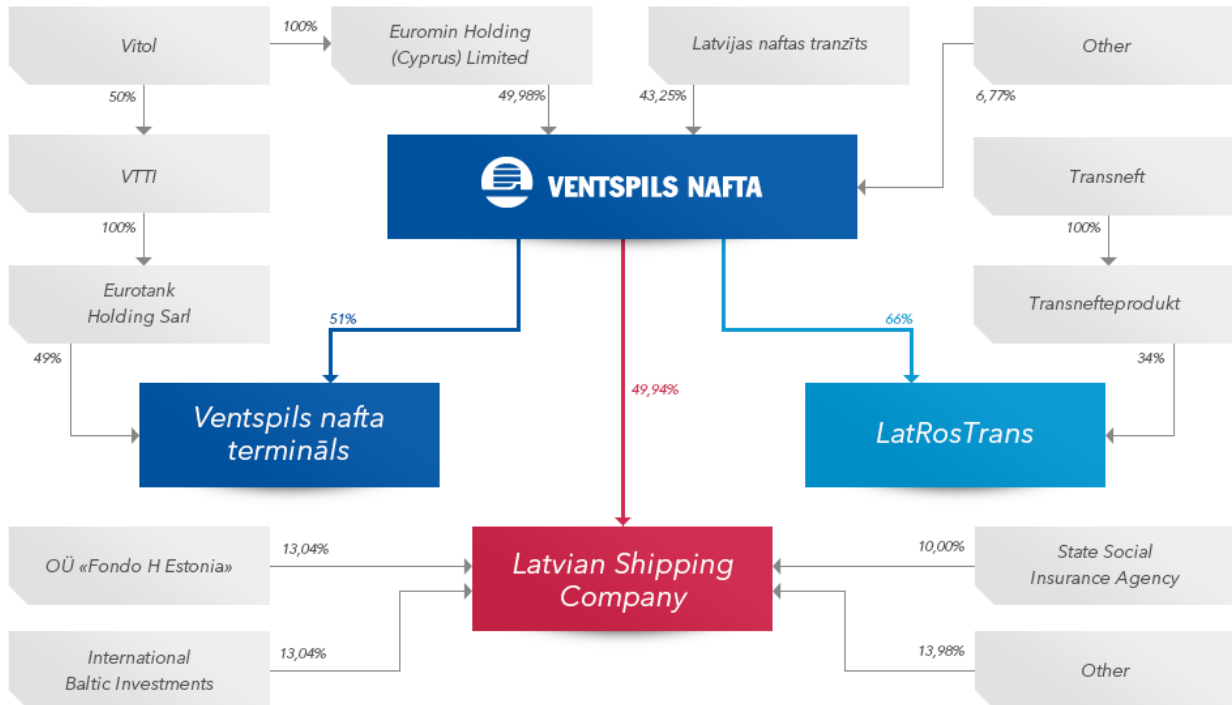
### Strategy

The strategy of *JSC 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 the intention of VN Group is to streamline Group's activities by introducing best business practices and good corporate governance standards to improve shareholders value.

## Information about Ventspils nafta (cont'd)

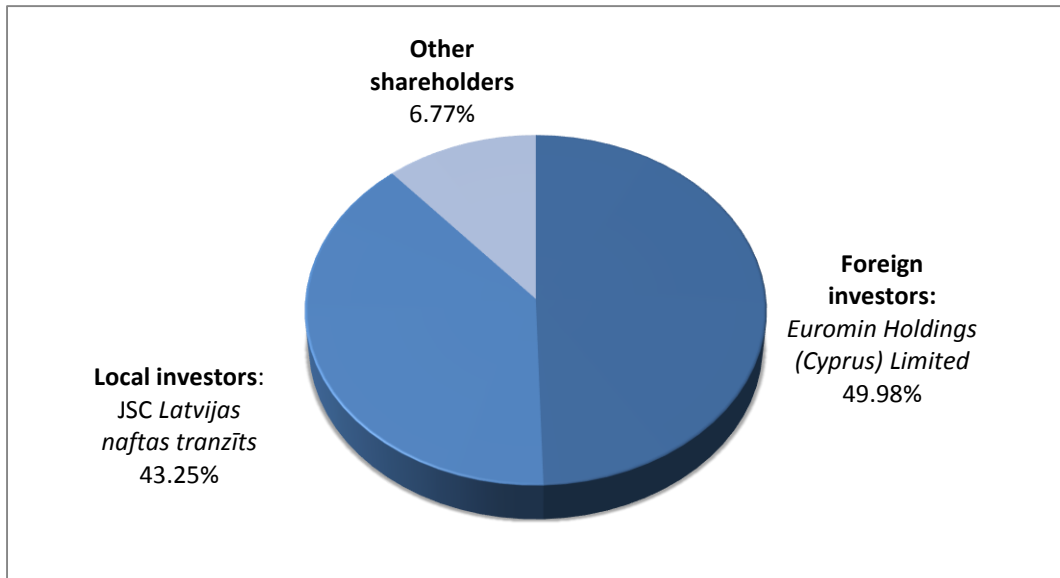
### Corporate structure

Corporate structure of JSC Ventspils nafta as of 31 March 2014



### Shareholders

Main shareholders (over 5%) of JSC Ventspils nafta as of 31 March 2014

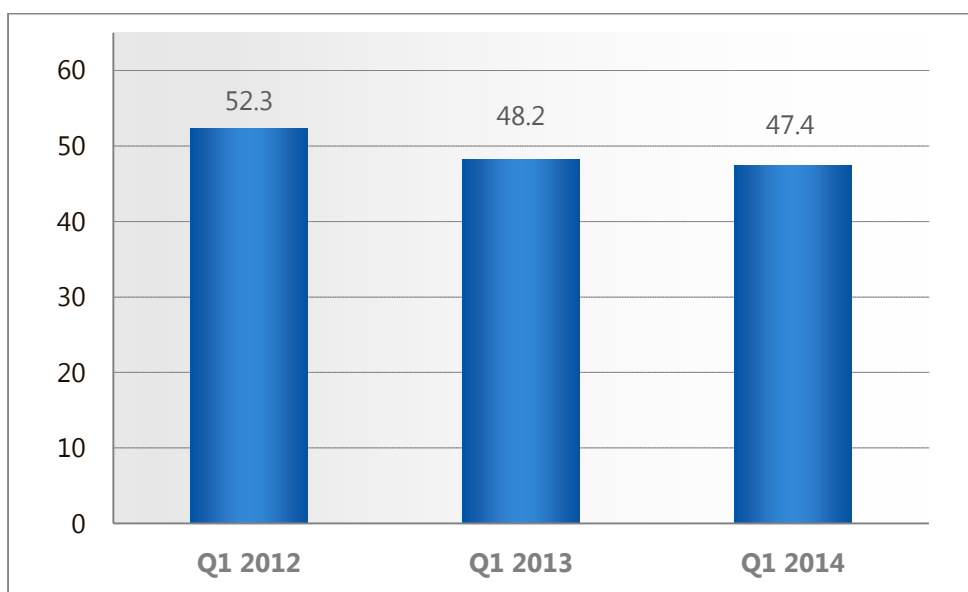


## Information about Ventspils nafta (cont'd)

### Key figures

	Q1 2012	Q1 2013	Q1 2014
<b>Turnover (million EUR)</b>	52.34	48.15	47.38
<b>Net profit / (loss) (million EUR)</b>	(9.87)	7.06	10.81
<b>Gross profit before depreciation (million EUR)</b>	17.19	19.82	17.10
<b>% of turnover</b>	32.8%	41.2%	36.1%
<b>EBITDA (million EUR)</b>	12.68	19.32	12.94
<b>% of turnover</b>	24.2%	40.1%	27.3%
<b>EBIT (million EUR)</b>	5.02	10.96	7.49
<b>% of turnover</b>	9.6%	22.8%	15.8%
<b>Return on Assets (%)</b>	(1.1%)	0.8%	1.5%
<b>Return on Equity (%)</b>	(1.71%)	1.19%	2.12%
<b>EPS attributable to owners of the parent (EUR)</b>	(0.04)	0.04	0.06
<b>Liquidity ratio</b>	2.71	3.74	3.47

### Ventspils nafta Group's revenue (million EUR)



## Information on shares

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

## Trading information (1 January 2014 – 31 March 2014)

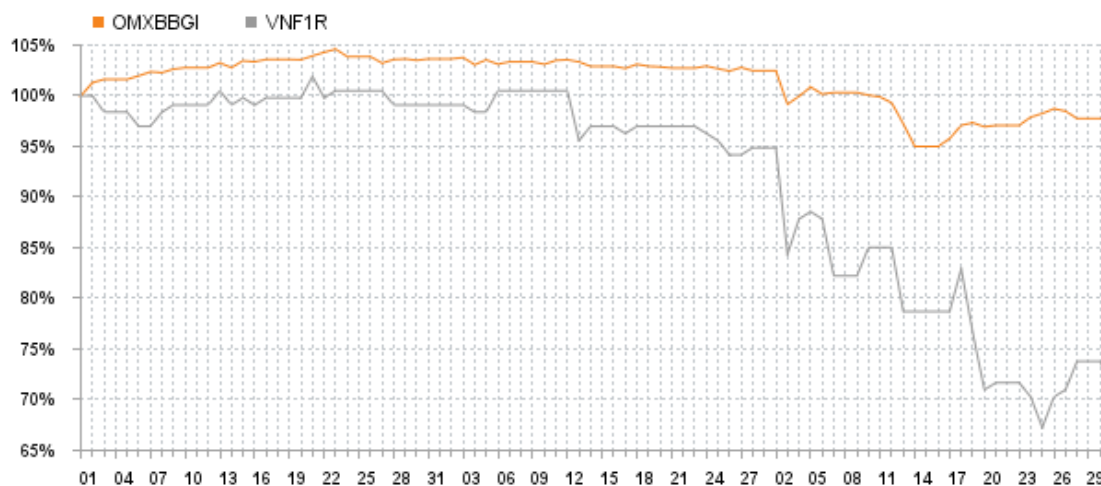
Open	1.423 EUR
Max	1.500 EUR
Min	0.954 EUR
Last	1.010 EUR
Average price	1.296 EUR
Change	-29.02 %
Deals	156
No of shares traded	29 877
Turnover	37 966.01 EUR
Capitalisation on 31.03.2014	105 524 314.19 EUR

## Securities trading history, EUR

Price	2010	2011	2012	2013	Q1/2014
Open, EUR	1.309	2.062	1.707	1.522	1.423
High, EUR	2.689	2.104	1.791	1.665	1.500
Low, EUR	1.295	1.441	1.423	1.295	0.954
Last, EUR	1.992	1.707	1.522	1.423	1.010
Traded volume	1 492 345	1 632 287	1 222 348	305 600	29 877
Turnover, million EUR	3.16	3.30	2.33	0.44	0.04
Capitalisation, million EUR	208.13	178.39	159.07	148.66	105.52

## Information on shares (cont'd)

### Share price in comparison with *NASDAQ OMX Riga* index (1 January 2014 – 31 March 2014)



Index/Equity	01.01.2014	31.03.2014	+/-%
— OMX Baltic Benchmark GI	613.50	601.00	-2.04 ↓
— VNF1R	1.42 EUR	1.01 EUR	-29.02 ↓

Information source: JSC NASDAQ OMX Riga webpage [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)



## Supervisory Council

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Rubel Yilmaz
Members of the Council	Javed Ahmed
	Mikhail Dvorak
	Simon Boddy
	Christophe Theophanis Matsacos
	Rudolf Meroni
	David Guy Anstis
	Jānis Berķis
	Nauris Berķis
	Ivars Bērziņš

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

According to the Supervisory Council's resolution of 11 March, 2014 Mikhail Dvorak was recalled from the position of the deputy chairman of the Supervisory Council and Rubel Yilmaz was elected as the deputy chairman of the Supervisory Council. There were no other changes in the Supervisory Council during the period from 1 January 2014 to 23 May 2014.

## Supervisory Council (cont'd)

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



**Vladimir Egger** has worked as the Chairman of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Egger is also a member and chairman of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company. Vladimir Egger is the Chief Representative in the Vitol Group's company VNT SA in Moscow. He has almost 30 years of professional experience in the field of commodities trading. Prior to working for Vitol, he was the Managing Director of the company Lukoil Asia Pacific based in Singapore and Beijing, China. Professional education: Bachelor of Arts degree in Economics and a Master of Business Administration degree.

Mr. Vladimir Egger does not own any shares of JSC Ventspils nafta.



**Rubel Yilmaz** is the Deputy Chairman of the Supervisory Council. He is a member of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Yilmaz is also holds positions in Ventspils nafta subsidiaries – he is the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company, and has been a member of the Supervisory Council of Ventspils nafta termināls Ltd since March 1, 2010.

Rubel Yilmaz is the Chief Financial Director of VTTI (Vitol Tank Terminals International). Professional education: he has obtained a degree in economics in University of Groningen (Netherlands).

Mr. Rubel Yilmaz does not own any shares of JSC Ventspils nafta.



**Mikhail Dvorak** has worked as the Deputy Chairman of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. On March 11, 2014 he ceased to serve as the Deputy Chairman of the Supervisory Council. Dvorak also held positions in Ventspils nafta subsidiaries – he is the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company until March 26, 2014, and has been a member or the Supervisory Council of LatRosTrans Ltd until March 12, 2014.

Mikhail Dvorak was the Financial Controller of Vitol Group and Finance Director at Vitol Group's companies in the CIS countries, Georgia and the Baltic States. Professional education: he has graduated the Moscow State Linguistic University and the International Institute of Law and Economics in the specialty of finances and crediting.

Mr. Mikhail Dvorak does not own any shares of JSC Ventspils nafta.



**Simon Boddy** is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years. Boddy is also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary.

Simon Boddy has worked in the oil business for more than 30 years. He has 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 was the Chairman of the Management Board of JSC Ventspils Nafta in the time period from January 20, 2010 until September 1, 2013. Professional education: academic degree in Mathematics from the Oxford University, post-graduate diploma in Law from the College of Law of England and Wales in London.

Mr. Simon Boddy does not own any shares of JSC Ventspils nafta.



**Javed Ahmed** has worked as a member of the Supervisory Council of Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on October 17, 2013. Ahmed was also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary.

Javed Ahmed is currently 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. Professional education: Juris Doctor degree from Harvard University, a Master of Business Administration degree from Harvard University, and a Bachelor's degree in Economics and Mathematics from Yale University.

Mr. Javed Ahmed does not own any shares of JSC Ventspils nafta.

## Supervisory Council (cont'd)

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



**Christophe Theophanis Matsacos** has worked as a member of the Supervisory Council of JSC Ventspils Nafta since July 17, 2010, and was re-elected for a period of 3 years on October 17, 2013. Matsacos was also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary. Christophe Matsacos 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 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 own any shares of JSC Ventspils nafta.



**Rudolf Meroni** is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.

Rudolf Meroni was also on the Supervisory Council of the JSC Ventspils nafta in the time period from July 7, 2010 until July 25, 2012.



**David Guy Anstis** is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.

David Guy Anstis has worked 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 Guy Anstis does not own any shares of JSC Ventspils nafta.



**Jānis Berķis** is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.

Jānis Berķis is Deputy Chairman of the Supervisory Council of Noord Natie Ventspils Terminals Ltd since February 2012 and Deputy Chairman of the Supervisory Council of JSC Ventbunkers since February 2013. In June 2010 Janis Berķis became the member of the Supervisory Council of JSC L.V.K., and in March 2011 became the board member of N&J ratio Ltd. Professional education: bachelor's degree in management at the Ventspils University College, MBA at the "Turība" University.

Mr Jānis Berķis does not own any shares of JSC Ventspils nafta.



**Nauris Berķis** is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, elected for a period of 3 years.

Nauris Berķis is the Chairman of the Supervisory Council of JSC Baltijas Ekspresis since March 2012 and the Chairman of the Supervisory Council of JSC Latvijas Naftas Tranzīts since May 2013. In June 2011 he became the board member of Privātfonds Ltd, whereas from March 2012 he became the board member of N&J Ltd. Professional education: bachelor's degree in management at the Ventspils University College.

Mr. Nauris Berķis does not own any shares of JSC Ventspils nafta.



**Ivars Bērziņš** has worked as a member of the Supervisory Council of Ventspils Nafta since July 25, 2012, and was re-elected for a period of 3 years on October 17, 2013.

He is a member of Supervisory Council of JSC Latvijas naftas tranzīts and authorised representative of Skonto nafta Ltd. Professional education: Master's degree in law.

Mr. Ivars Bērziņš does not own any shares of JSC Ventspils nafta.

## Management Board

Chairman of the Board	Robert Kirkup
Members of the Board	Boris Bednov Aleksej Tarasov

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

There were no changes in the Management Board during the period from 1 January 2014 to 23 May 2014.

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



**Robert Kirkup** is the Chairman of the JSC Ventspils nafta Management Board since 1 September 2013, elected for a period of 3 years. Kirkup also holds positions in Ventspils nafta subsidiaries – he is the Chairman of the Supervisory Council of LatRosTrans Ltd and the Chairman of the Management Board of JSC Latvian Shipping Company as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd.

He has worked in the oil and sugar business for more than 17 years. In 1996 he joined the Vitol Group and has held several positions in trading. Since July 2006 he has been appointed as the Global Head of Sugar at Vitol S.A. In addition he was a member of the World Sugar Committee for the ICE No11 Raw Sugar Futures Contract and still is a member of the Council of the Sugar Association of London, where he is an Arbitrator. Professional education: BA Honours Degree in Business.

Mr. Robert Kirkup does not own any shares of JSC Ventspils nafta.



**Boris Bednov** has worked as a member of the Management Board of JSC Ventspils Nafta since April 28, 2010, and was re-elected for a period of 3 years starting from April 28, 2013.

He is an oil and transit 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. Professional education: he has graduated the D. Mendeleev University of Chemical Technology in Russia.

Mr Boris Bednov does not own any shares of JSC Ventspils nafta.



**Aleksej Tarasov** has worked as a member of the Management Board of JSC Ventspils Nafta since January 6, 2011, and was re-elected for a period of 3 years on June 26, 2013.

He has worked for Mazeikiu 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. Professional education: degree in Engineering from the St-Petersburg VVMURE Academy (currently – the Naval Institute of Marine Radioelectronics, VVMURE named after A.S. Popov).

Mr Aleksej Tarasov does not own any shares of JSC Ventspils nafta.

## **Statement of Management's responsibilities**

The Management Board of *JSC 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 *JSC Ventspils nafta* and its subsidiaries (hereafter – the Group) as of 31 March 2014, changes in shareholders' equity, cash flows and the results of the Group for the three month period ended 31 March 2014.

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.

On behalf of the Management Board:

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Robert Kirkup  
Chairman of the Management Board  
of *Joint Stock Company Ventspils nafta*  
Riga, 23 May 2014

## Management Report

Dear shareholders,

JSC Ventspils nafta and its subsidiaries (the Group) are pleased to report first quarter 2014 profits of 10.81 million EUR, an increase of 53.1% on Q1/2013 (7.06 million EUR).

During the first quarter of 2014 the group matched the anticipated revenue and profit projections. With consolidated income of 47.38 million EUR and gross profit of 11.65 million EUR very much in line with 2013.

JSC Latvian Shipping Company (LSC Group) has reported a partial settlement of the Antonio Gramsci Corporation court case in the High Court of London. This settlement amounting to 20.5m USD offsets vessel impairments of 13.3 million USD. These vessel impairments were a result of the decision to reassess the useful life of the fleet from twenty years to fifteen years in line with stringent Major Oil Company vetting procedures.

In Q1/2014 the Group's administrative costs rose by 37.8% to 3.45 million EUR (Q1/2013: 2.5 million EUR). This was predominately due to legal costs, which are attributable to the aforementioned partial settlement in respect of the Antonio Gramsci Corporation court case in the High Court in London.

### Ventspils nafta (VN)

VN's profit of 6.51 million EUR in Q1/2014 was largely as a result of 6.37 million EUR dividend income, derived from its investment in Ventspils nafta terminals Ltd.

During the first quarter of 2014 administrative costs of VN fell by 63 thousand EUR to 178 thousand EUR (Q1/2013: 240 thousand EUR).

VN's administrative costs are fully covered by management services provided to the group and interest income from issued loans and placed deposits. In Q1/2014 net interest income was 332 thousand EUR (Q1/2013: 258 thousand EUR).

### Ventspils nafta terminals (VNT)

Ventspils nafta termināls' income rose by 2.67 million EUR to 24.94 million EUR (Q1/2013: 22.27 million EUR), driven by a minor growth in volumes to 3.44 million tonnes of petroleum products. Net profit was 3.6 million EUR (Q1/2013: 4.1 million EUR). Volumes continue to flow through both the pipeline (51%) and rail or sea (49%).

### LatRosTrans (LRT)

Volumes of transported petroleum products fell 8.8% to 1.76 million tonnes (Q1/2013: 1.93 million tonnes).

In Q1/2014 revenues were 5.1 million EUR, down 5.4% on Q1/2013 (Q1/2013: 5.39 million EUR), and gross profits rose 0.81 million EUR to 2.39 million EUR (Q1/2013: 1.58 million EUR).

The improvement in gross profit has been partly been achieved due to the impairment on the non-current assets recognised in the previous reporting year, resulting in a substantial decrease in depreciation costs of non-current assets in Q1/2014.

Net result of LRT in the reporting period was 1.77 million EUR (Q1/2013: 2.87 million EUR). Since a substantial part of LRT's assets are denominated in USD, they are subject to currency exchange risk, therefore the net result of LRT in Q1/2014 was influenced by net losses from exchange rate fluctuations in the amount of 466 thousand EUR, in turn in the comparative period of 1Q/2013 the net result was affected by net profit from exchange rate fluctuations in the amount of 1.44 million EUR.

## Management Report (cont'd)

### Latvian Shipping Company (LSC)

Q1/2014 revenues fell by 3.17 million USD to 23.66 million USD, driven by the consequence of having less vessels employed with in the fleet. Compared to the previous reporting period there were no significant changes in the Q1/2014 gross profit, which was 5.08 million USD.

During the reporting period the LSC Group fleet consisted of seventeen vessels. However, the sale of the vessel "Riga" was concluded in March, 2014 this was required in order to limit the losses originating from the vessel "Riga" sale – leaseback - repurchase agreement concluded in 2009 by the previous management. The vessel is planned to be delivered to the buyer in Q2/2014. No further sales are planned from the LSC fleet, thus it will consist of sixteen modern tankers with the average age of 6.5 years.

On behalf of the Management Board:

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Robert Kirkup  
Chairman of the Management Board  
of *Joint Stock Company Ventspils nafta*  
Riga, 23 May 2014

## Interim consolidated income statement

For the period ended 31 March

	<b>2014</b> EUR '000	<b>2013</b> EUR '000
Revenue	47 376	48 150
Cost of sales	<u>(35 727)</u>	<u>(36 692)</u>
<b>Gross profit</b>	<b>11 649</b>	<b>11 458</b>
General and administrative expense	(3 453)	(2 506)
Other operating income	15 050	751
Other operating expense	(460)	(371)
Impairment of other non-financial assets	(9 712)	(1 288)
Finance income	455	2 063
Finance costs	<u>(2 541)</u>	<u>(2 841)</u>
<b>Profit before tax</b>	<b>10 988</b>	<b>7 266</b>
Corporate income tax	<u>(174)</u>	<u>(205)</u>
<b>Profit for the period</b>	<b><u>10 814</u></b>	<b><u>7 061</u></b>
Attributable to:		
Parent company's shareholders	5 799	4 057
Non-controlling interest	<u>5 015</u>	<u>3 004</u>
	<b><u>10 814</u></b>	<b><u>7 061</u></b>
Profit per share attributable		
to the Parent company's shareholders:	<u>EUR 0,06</u>	<u>EUR 0,04</u>
Profit per share	EUR 0,10	EUR 0,07

On behalf of the Management Board:

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Robert Kirkup  
 Chairman of the Management Board  
 of *Joint Stock Company Ventspils nafta*



## Interim consolidated statement of comprehensive income

For the period ended 31 March

	<b>2014</b>	<b>2013</b>
	EUR '000	EUR '000
<b>Profit for the period</b>	<b>10 814</b>	<b>7 061</b>
<b>Other comprehensive (loss)/ income</b>		
- Foreign currency revaluation reserve	(1 123)	4 609
- Cash flow hedge reserve	102	90
<b>Other comprehensive (loss)/ income for the period</b>	<b>(1 021)</b>	<b>4 699</b>
<b>Total comprehensive profit for the period</b>	<b>9 793</b>	<b>11 760</b>
Attributable to:		
Parent company's shareholders	5 289	6 404
Non-controlling interests	4 504	5 356
	<b>9 793</b>	<b>11 760</b>

On behalf of the Management Board:

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Robert Kirkup  
Chairman of the Management Board  
of *Joint Stock Company Ventspils nafta*

## Interim consolidated statement of financial position

	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	EUR '000	EUR '000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	21 568	21 572
Property, plant and equipment	403 078	428 889
Investment properties	1 579	1 589
Investments in associated entities	11	10
Loans to affiliated companies	97 216	97 454
Other non-current financial assets	33 650	33 694
<b>Total non-current assets</b>	<b>557 102</b>	<b>583 208</b>
<b>Current assets</b>		
Inventories	3 695	3 469
Trade and other receivables	11 696	8 983
Short term deposits	53 175	44 443
Other current financial assets	38 855	24 239
Cash and cash equivalents	41 377	51 125
	<b>148 798</b>	<b>132 259</b>
Assets classified as held for sale	8 583	-
<b>Total current assets</b>	<b>157 381</b>	<b>132 259</b>
<b>Total assets</b>	<b>714 483</b>	<b>715 467</b>

On behalf of the Management Board:

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Robert Kirkup  
Chairman of the Management Board  
of Joint Stock Company Ventspils nafta

## Interim consolidated statement of financial position (cont'd)

	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	EUR '000	EUR '000
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	148 660	148 660
Share premium	60 249	60 249
Foreign currency revaluation reserve	(11 645)	(11 084)
Cash flow hedge reserve	(394)	(445)
Retained earnings	136 292	176 166
Profit (Loss) for the period	5 799	(39 874)
<b>Equity attributable to equity holders of the parent</b>	<b>338 961</b>	<b>333 672</b>
Non-controlling interest	173 048	174 660
<b>Total equity</b>	<b>512 009</b>	<b>508 332</b>
<b>Non-current liabilities</b>		
Borrowings	151 957	157 981
Deferred tax liability	1 633	1 581
Deferred income	3 243	3 297
Derivative financial instruments	368	418
<b>Total non-current liabilities</b>	<b>157 201</b>	<b>163 277</b>
<b>Current liabilities</b>		
Borrowings	26 582	27 170
Finance lease	909	-
Trade and other payables	14 144	12 735
Taxes payable	-	421
Derivative financial instruments	601	740
Deferred income	1 685	1 483
Provisions	1 352	1 309
<b>Total current liabilities</b>	<b>45 273</b>	<b>43 858</b>
<b>Total liabilities</b>	<b>202 474</b>	<b>207 135</b>
<b>Total equity and liabilities</b>	<b>714 483</b>	<b>715 467</b>

On behalf of the Management Board:

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Robert Kirkup  
 Chairman of the Management Board  
 of Joint Stock Company *Ventspils nafta*

## Interim consolidated statement of cash flows

For the period ended 31 March

	2014	2013
	EUR'000	EUR'000
<b>Operating activities</b>		
<b>Profit before tax</b>	10 998	7 266
<u>Adjustments for:</u>		
Depreciation and amortisation	5 454	8 359
Changes in financial instruments	(49)	-
(Profit)/ Loss on disposal of non-financial assets	(17)	7
Currency translation difference	266	(2 531)
Interest income	(454)	(339)
Interest expense	1 887	2 742
Recognition of other financial assets	(14 643)	-
Recognized impairment	9 712	1 288
	<b>13 154</b>	<b>16 792</b>
<u>Working capital adjustments:</u>		
Changes in trade and other receivables and prepayments	(2 672)	3 962
Changes in inventories	(245)	484
Changes in trade and other payables	2 138	(1 635)
	<b>12 375</b>	<b>19 603</b>
Corporate income tax paid	(177)	(185)
<b>Net cash flows from operating activities</b>	<b>12 198</b>	<b>19 418</b>
<b>Investing activities</b>		
Proceeds from sale of non-current assets	61	-
Purchase of non-current assets	(425)	(1 584)
(Increase)/ decrease in short term deposits	(8 732)	15 800
Interest received	357	410
<b>Net cash flows (used in)/ from investing activities</b>	<b>(8 739)</b>	<b>14 626</b>
<b>Financing activities</b>		
Repayment of borrowings	(5 299)	(6 141)
Payment of finance lease liabilities	-	(265)
Dividends paid	(6 116)	(5 905)
Interest paid	(1 590)	(2 419)
Prepaid financing expenses	(194)	(190)
<b>Net cash flows used in financing activities</b>	<b>(13 199)</b>	<b>(14 920)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(9 740)</b>	<b>19 124</b>
Cash and cash equivalents as at 1 January	51 125	73 167
Exchange (losses)/ gain on cash and cash equivalents	(8)	983
<b>Cash and cash equivalents as at 31 March</b>	<b>41 377</b>	<b>93 274</b>

## Interim consolidated statement of changes in equity

	Attributable to the equity holders of the parent						Non-controlling interest	Total
	Share capital	Share premium	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000		
<b>Balances as of 1 January 2013</b>	<b>148 660</b>	<b>60 249</b>	<b>(9 170)</b>	<b>(713)</b>	<b>176 166</b>	<b>375 192</b>	<b>213 539</b>	<b>588 731</b>
Profit for the period	-	-	-	-	4 057	4 057	3 004	7 061
Other comprehensive income	-	-	2 301	45	-	2 346	2 353	4 699
Total comprehensive income	-	-	2 301	45	4 057	6 403	5 357	11 760
Dividends declared	-	-	-	-	-	-	(5 905)	(5 905)
<b>Balances as of 31 March 2013</b>	<b>148 660</b>	<b>60 249</b>	<b>(6 869)</b>	<b>(668)</b>	<b>180 223</b>	<b>381 595</b>	<b>212 991</b>	<b>594 586</b>
Loss for the period	-	-	-	-	(43 931)	(43 931)	(24 344)	(68 275)
Other comprehensive (loss)/ income	-	-	(4 215)	223	-	(3 992)	(4 003)	(7 995)
Total comprehensive (loss)/ income	-	-	(4 215)	223	(43 931)	(47 923)	(28 347)	(76 270)
Dividends declared	-	-	-	-	-	-	(9 984)	(9 984)
<b>Balances as of 31 December 2013</b>	<b>148 660</b>	<b>60 249</b>	<b>(11 084)</b>	<b>(445)</b>	<b>136 292</b>	<b>333 672</b>	<b>174 660</b>	<b>508 332</b>
Profit for the period	-	-	-	-	5 799	5 799	5 015	10 814
Other comprehensive income/ (loss)	-	-	(561)	51	-	(510)	(511)	(1 021)
Total comprehensive income/ (loss)	-	-	(561)	51	5 799	5 289	4 504	9 793
Dividends declared	-	-	-	-	-	-	(6 116)	(6 116)
<b>Balances as of 31 March 2014</b>	<b>148 660</b>	<b>60 249</b>	<b>(11 645)</b>	<b>(394)</b>	<b>142 091</b>	<b>338 961</b>	<b>173 048</b>	<b>512 009</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 2013, which were prepared in accordance with International Financial Reporting Standards as adopted by EU.

The Group's unaudited condensed interim consolidated financial statements are presented in Euros (EUR), 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 *JSC Ventspils Nafta* is Euros (EUR), the functional currency of *JSC Latvian Shipping Company* 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 of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange prevailing at the end of financial 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

ECB (the European Central Bank) rate of exchange as at 31.03.2014 EUR/USD – 1.3759 (average – 1.369255)

LB (the Bank of Latvia) rate of exchange as at 31.03.2013. EUR/USD – 1.2848 (average – 1.320187)

LB (the Bank of Latvia) rate of exchange as at 31.12.2013 EUR/USD – 1.3647 (average - 1.327462)

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

For the period ended 31 March

### 2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th
<b>Revenue from external customers</b>	<b>30 037</b>	<b>27 654</b>	<b>17 276</b>	<b>20 321</b>	-	-	<b>47 313</b>	<b>47 975</b>	-	-	<b>47 313</b>	<b>47 975</b>
Intersegment revenue	-	-	7	-	12	36	19	36	(19)	(36)	-	-
Voyage costs	-	-	(3 042)	(3 483)	-	-	(3 042)	(3 483)	-	-	(3 042)	(3 483)
Vessel operating costs	-	-	(5 491)	(6 549)	-	-	(5 491)	(6 549)	-	-	(5 491)	(6 549)
Cost of sales (vessel operating costs excluding)	(21 740)	(18 283)	(72)	(130)	-	-	(21 812)	(18 413)	-	-	(21 812)	(18 413)
Administrative expenses	(776)	(706)	(2 426)	(1 466)	(174)	(236)	(3 376)	(2 408)	24	43	(3 352)	(2 365)
Result from disposal of non-financial assets	44	(7)	(14)	-	(13)	-	17	(7)	-	-	17	(7)
Other revenue	-	-	63	175	-	-	63	175	-	-	63	175
Depreciation and amortisation	(1 746)	(2 920)	(3 704)	(5 435)	(4)	(4)	(5 454)	(8 359)	-	-	(5 454)	(8 359)
Impairment of non-financial assets*	-	-	(9 712)	(1 288)	-	-	(9 712)	(1 288)	-	-	(9 712)	(1 288)
Interest income	266	232	51	4	441	371	758	607	(305)	(272)	453	335
Interest expense	-	-	(2 077)	(2 900)	(110)	(113)	(2 187)	(3 013)	312	272	(1 875)	(2 741)
<b>Net result before tax</b>	<b>6 085</b>	<b>5 970</b>	<b>(9 141)</b>	<b>(751)</b>	<b>152</b>	<b>54</b>	<b>(2 904)</b>	<b>5 273</b>	<b>12</b>	<b>7</b>	<b>(2 892)</b>	<b>5 280</b>
<b>Segment assets</b>	<b>221 808</b>	<b>228 035</b>	<b>336 652</b>	<b>352 283</b>	<b>152 572</b>	<b>146 240</b>	<b>711 032</b>	<b>726 558</b>	<b>(39 750)</b>	<b>(39 772)</b>	<b>671 282</b>	<b>686 786</b>
Unallocated:												
Assets of subsidiaries not included in segment											4 466	4 512
Investment properties											1 579	1 589
Other financial assets											14 624	-
Available-for-sale financial assets											22 532	22 580
<b>Total consolidated assets</b>											<b>714 483</b>	<b>715 467</b>
Including additions to non-current assets	416	5 748	7	941	-	7	423	6 696	-	-	423	6 696

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

For the period ended 31 March

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

Reconciliation of segment results to consolidated income statement:

	<b>2014</b>	<b>2013</b>
	EUR thousand	EUR thousand
Segment result	(2 892)	5 280
<b>Reconciliation to profit before tax:</b>		
Administrative expenses	(28)	(28)
Other operating income, net	14 579	394
Other financial (expenses)/ income, net	(659)	1 627
Adjustments and eliminations	(12)	(7)
<b>PROFIT BEFORE TAX:</b>	<b>10 988</b>	<b>7 266</b>

\* Impairment of non financial assets in amount of EUR 9 712 thousand relates to the impairment of the fleet recognised in the reporting period of 2014 (2013: EUR 1 288 thousand).



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

For the period ended 31 March

### 3. Related party transactions

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

Related party	Nature of services	Q1 2014		31.03.2014	
		Income	Expense	Amounts due from related parties	Amounts due to related parties
		EUR thousand	EUR thousand	EUR thousand	EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	204	-	67 955	-
Transnefteprodukt AK	Interest income/ Outstanding balances	65	-	14 756	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	29 587	-	2 740	(1 626)
Vitol Tank Terminals International B.V.	Compensation of expenses	-	-	5	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(11)	-	(2 048)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	1	-	407	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	70	-	6	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	4 660	-	-	(941)
Vitol S.A.	Voyage income/ Outstanding balances	1 103	-	1 090	(188)
Vitol S.A.	Interest income/ Outstanding balances	44	-	14 520	-
Vitol Inc	Voyage income/ Outstanding balances	389	-	50	-
	<b>TOTAL:</b>	<b>36 123</b>	<b>(11)</b>	<b>101 529</b>	<b>(4 803)</b>
Including:					
Non-current				97 216	-
Current				4 313	(2 236)
Deferred income				-	(2 567)
				<b>TOTAL:</b>	<b>(4 803)</b>

## 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 previous reporting period and as at 31 December 2013 can be seen in the table below:

Related party	Nature of services	Q1 2013		31.12.2013	
		Income	Expense	Amounts due from related parties	Amounts due to related parties
		EUR thousand	EUR thousand	EUR thousand	EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	189	-	67 955	-
Transnefteprodukt AK	Interest income/ Outstanding balances	-	-	14 843	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	28 126	-	1 901	(1 656)
Vitol Tank Terminals International B.V.	Compensation of expenses	-	-	23	-
Latvijas Naftas Tranzits JSC	Other income/ Outstanding balances	-	-	11	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(6)	-	(2 036)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	1	-	406	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	85	-	9	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	5 581	-	-	(949)
Vitol S.A.	Voyage income/ Outstanding balances	612	-	30	-
Vitol S.A.	Interest income/ Outstanding balances	-	-	14 670	-
Vitol Asia Pte.	Voyage income/ Outstanding balances	-	-	208	-
	<b>TOTAL:</b>	<b>34 594</b>	<b>(6)</b>	<b>100 056</b>	<b>(4 641)</b>
Including:					
Non-current				97 454	-
Current				2 602	(2 036)
Deferred income				-	(2 605)
	<b>TOTAL:</b>			<b>100 056</b>	<b>(4 641)</b>