



VENTSPILS NAFTA

**JSC VENTSPILS NAFTA
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
30 June 2015**

Contents

Information about <i>Ventspils nafta</i>	3
Information on shares	6
Supervisory Council	8
Management Board	11
Statement of Management's responsibilities	12
Management Report	13
Consolidated income statement	15
Consolidated statement of comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of cash flows	19
Consolidated statement of changes in equity	20
Notes to the unaudited condensed consolidated financial statements	21

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

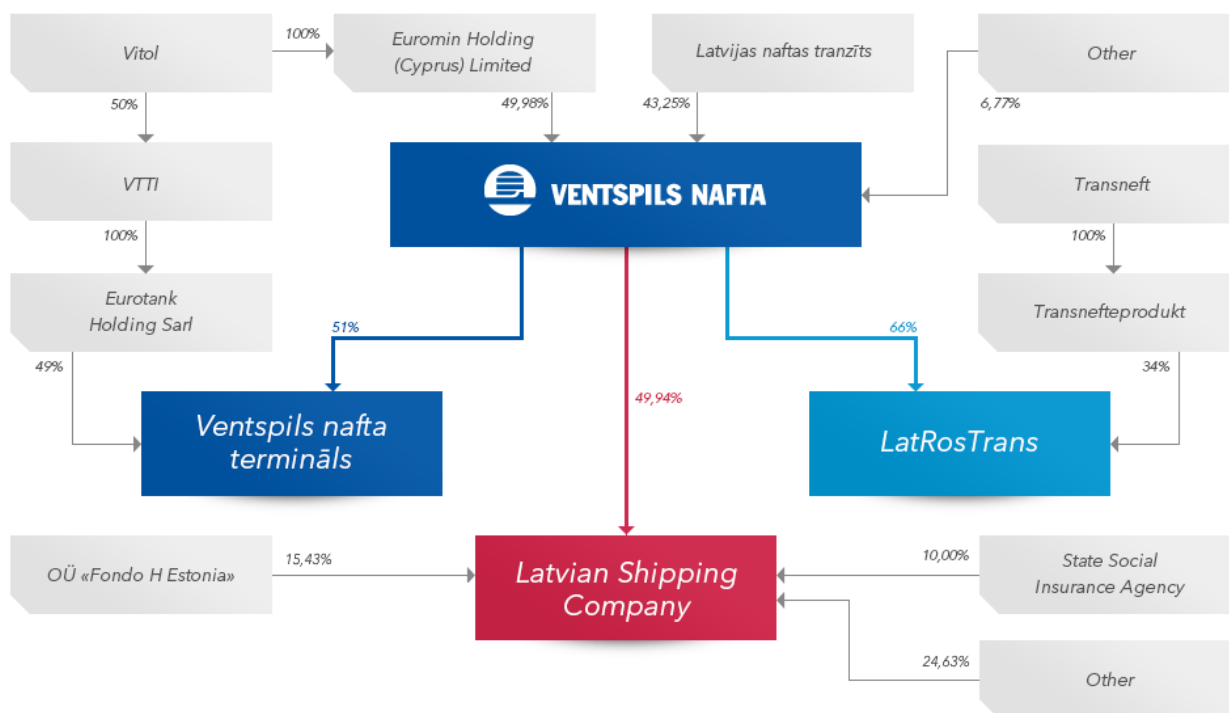
About the Company

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; a Latvian-Russian joint venture in the Baltic States *LatRosTrans Ltd*, 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 a fleet in the medium size and handy tanker segment.

Information about Ventspils nafta (cont'd)

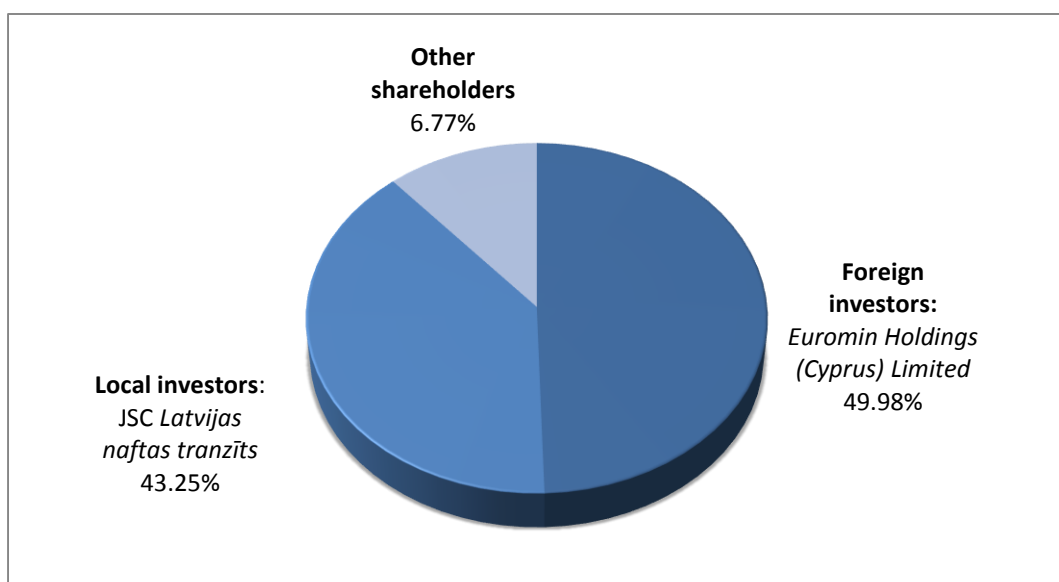
Corporate structure

Corporate structure of JSC Ventspils nafta as of date when the report is released



Shareholders

Main shareholders (over 5%) of JSC Ventspils nafta as of date when the report is released

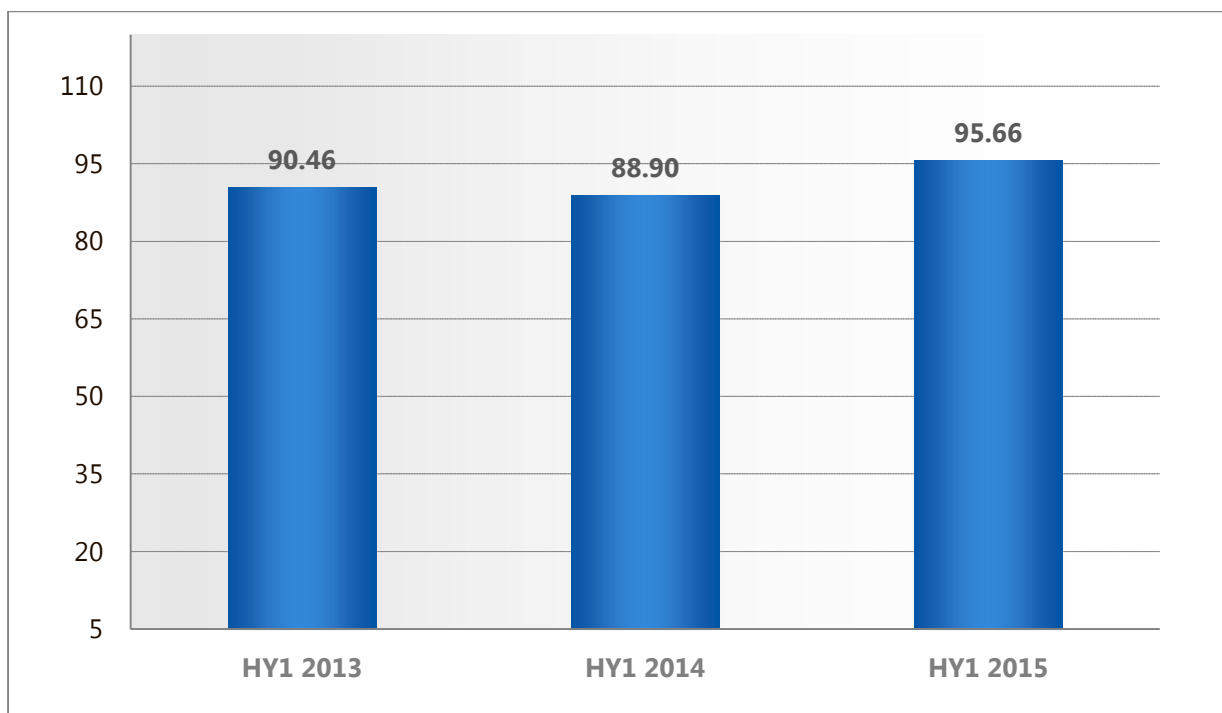


Information about Ventspils nafta (cont'd)

Key figures

	HY1/2013	HY1/2014	HY1/2015
Turnover (million EUR)	90.46	88.90	95.66
Net (loss)/profit (million EUR)	(10.37)	4.35	21.22
Gross profit before depreciation (million EUR)	38.35	33.43	39.90
% of turnover	42.4%	37.6%	41.7%
EBITDA (million EUR)	29.64	26.80	27.98
% of turnover	32.8%	30.1%	29.2%
EBIT (million EUR)	13.13	16.03	15.66
% of turnover	14.5%	18%	16.4%
Return on Assets (%)	(1.3%)	0.6%	3.1%
Return on Equity (%)	(1.80%)	0.86%	4.45%
EPS attributable to owners of the parent (EUR)	(0.04)	0.03	0.11
Liquidity ratio	2.75	3.95	3.50

Ventspils nafta Group's revenue (million EUR)



Information on shares

ISIN	LV0000100816
Ticker	VNF1R
Nominal value	1.40 EUR
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 2015 – 30 June 2015)

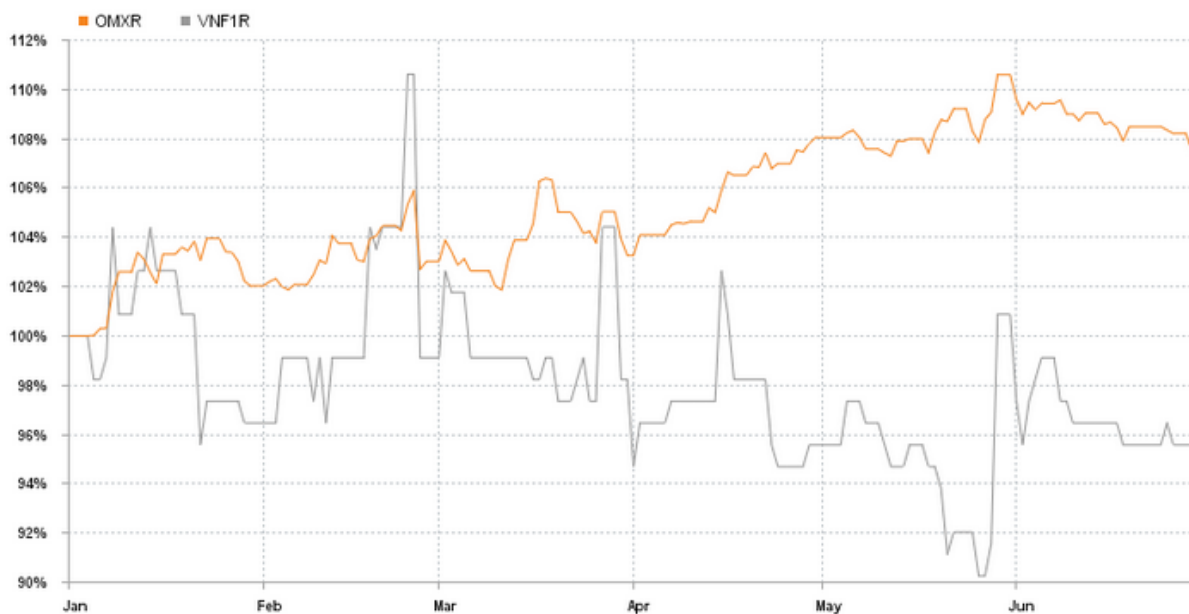
Open	1.130 EUR
Max	1.250 EUR
Min	1.010 EUR
Last	1.080 EUR
Average price	1.110 EUR
Change	-4.42 %
Deals	336
No of shares traded	86 370
Turnover	94 647.74 EUR
Capitalisation on 30.06.2015	112 837 880.52 EUR

Securities trading history, EUR

Price	2011	2012	2013	2014	Q1-Q2/2015
Open, EUR	2.062	1.707	1.522	1.423	1.130
High, EUR	2.104	1.791	1.665	1.500	1.250
Low, EUR	1.441	1.423	1.295	0.954	1.010
Last, EUR	1.707	1.522	1.423	1.130	1.080
Traded volume	1 632 287	1 222 348	305 600	95 771	86 370
Turnover, million EUR	3.30	2.33	0.44	0.11	0.09
Capitalisation, million EUR	178.39	159.07	148.66	118.06	112.84

Information on shares (cont'd)

Share price in comparison with *NASDAQ OMX Riga* index (1 January 2015 – 30 June 2015)



Index/Equity	01.01.2015	30.06.2015	+/--%
— OMX Riga	408.03	439.44	7.70 ▲
— VNF1R	1.130 EUR	1.080 EUR	-4.42 ▼

Information source: JSC NASDAQ OMX Riga webpage www.nasdaqbaltic.com

Supervisory Council

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Rubel Yilmaz
Members of the Council	Andrea Schlaepfer
	Olga Kurenkova
	Varvara Maximova
	Dzmitry Yudzin
	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.

The changes in the Council during the period from 1 January 2015 to 20 August 2015 were as follows:

Elected	Dismissed/ Resigned	Name	Position held
27/04/2015	-	Olga Kurenkova	Member of the Council
27/04/2015	-	Dzmitry Yudzin	Member of the Council
17/10/2013	27/04/2015	Simon Boddy	Member of the Council
11/06/2014	27/04/2015	Julia Verschagina	Member of the Council

According to the Supervisory Council's resolution of 14 May 2015, Vladimir Egger was re-elected as the Chairman of the Supervisory Council and Rubel Yilmaz was re-elected as Deputy Chairman of the Supervisory Council respectively.

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 April 27, 2015. Vladimir Egger is also 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 of JSC Ventspils nafta. 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 April 27, 2015. Yilmaz is also a member of the Supervisory Council of the Ventspils nafta subsidiary Ventspils nafta termināls Ltd since 1 March 2010.

Rubel Yilmaz is the Head of Business Development and Strategy 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.



Andrea Schlaepfer is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, and was re-elected for a period of 3 years on April 27, 2015. Schlaepfer is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

Andrea Schlaepfer is Head of Corporate Affairs at Vitol. She joined Vitol in February 2013. Prior to this she was Executive Director of Communications at LCH.Clearnet. She has over 15 years' experience in communications, primarily in the financial sector and has worked in an advisory capacity in communication firms, including Citigate Dewe Rogerson, and as head of European communications for Schroders Investment Management. She has a degree in Philosophy and Modern Languages from the University of Oxford.

Ms. Andrea Schlaepfer does not own any shares of JSC Ventspils nafta.



Olga Kurenkova is a member of the JSC Ventspils nafta Supervisory Council since 27 April 2015, elected for a period of 3 years. Kurenkova also holds positions in Ventspils nafta subsidiaries – she is a member of the Supervisory Council of JSC Latvian Shipping Company and LatRosTrans Ltd.

Olga Kurenkova works at representative office of "Vitol Services B.V., The Netherlands" since 2012 as a head of logistic department. Previously since 2000 she was employed by representative office of "VNT S.A., Switzerland" as a logistic manager and head of logistic department. O. Kurenkova has graduated Moscow Aircraft Institute (MAI), economical department in 1990.

Ms. Olga Kurenkova does not own any shares of JSC Ventspils nafta.



Varvara Maximova is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, and was re-elected for a period of 3 years on April 27, 2015. Maximova is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

Varvara Maximova is employed by Business Development Finance at Vitol since 2013. Previously she has worked for Natixis Bank and VTB Capital in Moscow. V. Maximova has degree in banking and finance from London School of Economics and Political Science and degree in economics from Russian State University "Higher School of Economics".

Ms. Varvara Maximova does not own any shares of JSC Ventspils nafta.

Supervisory Council (cont'd)

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



Dzmitry Yudzin is a member of the JSC Ventspils nafta Supervisory Council since 27 April 2015 elected for a period of 3 years. Yudzin also holds positions in Ventspils nafta subsidiaries – he is a member of the Supervisory Council of JSC Latvian Shipping Company and LatRosTrans Ltd. D. Yudzin has worked for over 5 years in the oil and gas industry. Professional education: degree in Economy from Belarussian National Polytechnic University. Mr. Dzmitry Yudzin 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, and was re-elected for a period of 3 years on April 27, 2015. Rudolf Meroni was also on the Supervisory Council of the JSC Ventspils nafta in the 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, and was re-elected for a period of 3 years on April 27, 2015. 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, and was re-elected for a period of 3 years on April 27, 2015. 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, and was re-elected for a period of 3 years on April 27, 2015. 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 April 27, 2015. He is a member of Supervisory Council of JSC Latvijas naftas tranzīts. 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 2015 to 20 August 2015.

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.

In 1996 he joined the Vitol Group and has held a variety of management positions in oil, sugar and metal. 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. Bednov is also the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company.

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. 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. Tarasov is also a member of the Supervisory Council of JSC Latvian Shipping Company.

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 30 June 2015, changes in shareholders' equity, cash flows and the results of the Group for the 6 month period ended 30 June 2015.

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:

Robert Kirkup
Chairman of the Management Board
of *Joint Stock Company Ventspils nafta*
Riga, 20 August 2015

Management Report

Dear shareholders,

Ventspils nafta and its subsidiaries (Group)

The financial results of Ventspils nafta and its subsidiaries (the Group) for HY1 2015 were as follows:

- Net profit of 21.22 million EUR (HY1/2014: 4.35 million EUR);
- Consolidated income rose by 7.6% to 95.66 million EUR (HY1/2014: 88.90 million EUR);
- Gross profit increased by 21.7% to 27.58 million EUR (HY1/2014: 22.66 million EUR);
- Consolidated administrative costs fell by 0.59 million EUR to 5.23 million EUR (HY1/2014: 5.82 million EUR).

Consolidated results were impacted by the following:

- The Group recognized impairment of the fleet in the amount of 1.89 million EUR.
- Profit from foreign exchange movements was 7 million EUR.

Further details on performance of the companies within the Group are described below.

Ventspils Nafta (VN)

- VN, the holding company, made a net profit of 5.16 million EUR in HY1 2015 (HY1/2014: 6.67 million EUR) largely as a result of dividend income from VN's investment in Ventspils nafta terminals Ltd, which amounted to 6.21 million EUR (HY1/2014: dividend income was 6.37 million EUR);
- During the first half-year of 2015, loss from foreign exchange movements was 1.4 million EUR;
- Net interest income in HY1 2015 was 0.68 million EUR (HY1/2014: 0.68 million EUR). In Q2 2015, VN repaid the intergroup loan received by its subsidiary LatRosTrans Ltd in early 2012. The loan payable was 20.18 million EUR, including the accrued interest;

Ventspils nafta terminals (VNT)

- Income rose by 1.39 million EUR to 46.11 million EUR (HY1/2014: 44.72 million EUR);
- Gross profit rose by 0.61 million EUR to 8.94 million EUR (HY1/2014: 8.33 million EUR);
- Net profit was 7.16 million EUR in HY1 2015 (HY1/2014: 6.76 million EUR);
- In HY1 2015, the total throughput reached 5.9 million tons (HY1 2014: 6.4 million tons). In the reporting period 49% of the transhipped amount came by rail or sea, 51% through pipeline.

LatRosTrans (LRT)

- Volumes of transported petroleum products fell by 11% to 2.98 million tons (HY1/2014: 3.33 million tons);
- In HY1/2015 revenue was 8.65 million EUR (HY1/2014: 9.66 million EUR);
- Gross profits fell by 0.85 million EUR to 3.52 million EUR (HY1/2014: 4.37 million EUR);
- Net result in the reporting period was 6.51 million EUR (HY1/2014: 3.47 million EUR). Since a substantial part of LRT's assets was denominated in USD, they were subject to currency exchange risk; therefore, the net result of LRT in HY1/2015 was influenced by net profit from exchange rate fluctuations in the amount of 7.45 million EUR, in turn in the comparative period of HY1/2014 the net result was affected by a loss from exchange rate fluctuations in the amount of 35 thousand EUR;
- During Q1 2015, the share capital of LRT was reduced by 66 million EUR. As of 31 March 2015, the share capital of LRT is 27.5 million EUR. There were no changes in the shareholding structure.

Management Report (cont'd)

Latvian Shipping Company (LSC)

- Total revenues of Latvian Shipping Company and its subsidiaries (LSC Group) fell slightly to 45.81 million USD (HY1/2014: 47.35 million USD), despite higher net voyage revenues of 41 million USD (HY1/2014: 39.27 million USD).
- Net profit in HY1 2015 was 8.85 million USD (HY1/2014: net loss 8.32 million USD). This improvement is due higher charter rates, a strong USD/EURO exchange rate and a reduction in the impairments recognised in respect of value of the LSC Group's fleet to 2.05 million USD, compared with 22.70 million USD for the same period the preceding year.
- Administrative costs fell to 3.41 million USD, predominantly due to lower legal costs (HY1/2014: 5.07 million USD) and the strong USD/EURO exchange rate; income is earned in USD, but administrative expenses are mainly in euros.
- HY1 2015 cash positive for the LSC Group; net cash increase 3.69 million USD (HY1/2014: 1.31 million USD);
- The fleet's operating profit for HY1 2015 rose to 26.93 million USD (HY1/2014: 23.69 million USD) due to the aforementioned increase in charter rates.
- LSC Group's commercial fleet remains unchanged at sixteen vessels, but LSC Group's subsidiary, LSC Shipmanagement Ltd, was appointed to manage two further third party tankers in Q1 2015, four vessels are now managed for third parties and the total number of vessels managed is twenty.
- LSC Group continues with its programme of reviewing and refocusing its investments. Consequently, in Q1 LSC Group divested from Futbola klubs Ventspils Ltd. In Q2, in order to increase LSC Group's indirect investment in JSC "Latvijas Naftas tranzīts", the LSC Group's investment in "Skonto nafta" Ltd., was increase from 71.43% to 85.71%.
- Since the end of the reporting period a number of settlements have been reached with key individuals, including former members of the Management Board and Supervisory Council. As a result, the legitimacy of the Board of LSC subsidiary "LASCO Investment" Ltd. was restored. This is the first step in the process of restoring "LASCO Investment" Ltd. to solvency and the restitution of the properties owned by "LASCO Investment" Ltd. and its subsidiaries.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board
of *Joint Stock Company Ventspils nafta*
Riga, 20 August 2015

Consolidated income statement

For the period ended 30 June

	2015 EUR '000	2014 EUR '000
Revenue	95 659	88 896
Cost of sales	(68 078)	(66 233)
Gross profit	27 581	22 663
General and administrative expense	(5 234)	(5 815)
Other operating income	2 301	15 228
Other operating expense	(4 216)	(7 288)
Impairment of other non-financial assets	(1 886)	(16 565)
Finance income	9 253	957
Finance costs	(5 343)	(4 015)
Profit before tax	22 456	5 165
Corporate income tax	(1 233)	(817)
Profit for the period	21 223	4 348
Attributable to:		
Parent company's shareholders	11 196	2 998
Non-controlling interest	10 027	1 350
	21 223	4 348
Profit per share attributable		
to the Parent company's shareholders:	EUR 0,11	EUR 0,03
Profit per share	EUR 0,20	EUR 0,04

On behalf of the Management Board:

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

Consolidated statement of comprehensive income

For the period ended 30 June

	2015 EUR '000	2014 EUR '000
Profit for the period	21 223	4 348
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
- Exchange differences on translation of foreign operations	9 726	343
- Net movement on cash flow hedges	114	157
Other comprehensive income for the period	9 840	500
Total comprehensive income for the period	31 063	4 848
Attributable to:		
Parent company's shareholders	16 110	3 248
Non-controlling interests	14 953	1 600
	31 063	4 848

On behalf of the Management Board:

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

Consolidated statement of financial position

	30.06.2015	31.12.2014
	EUR '000	EUR '000
Assets		
Non-current assets		
Intangible assets	8	13
Property, plant and equipment	405 336	388 959
Investment properties	246	359
Loans to affiliated companies	67 955	67 955
Other non-current financial assets	49 147	48 762
Total non-current assets	522 692	506 048
Current assets		
Inventories	3 198	11 238
Trade and other receivables	9 001	10 215
Loans to affiliated companies	-	33 434
Short term deposits	89 461	65 938
Other current financial assets	339	412
Cash and cash equivalents	62 692	58 034
Total current assets	164 691	179 271
Total assets	687 383	685 319

On behalf of the Management Board:

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

Consolidated statement of financial position (cont'd)

	30.06.2015	31.12.2014
	<u>EUR '000</u>	<u>EUR '000</u>
Equity and liabilities		
Equity		
Share capital	146 271	146 271
Share premium	60 248	60 248
Reserve of share capital denomination	2 390	2 390
Foreign currency revaluation reserve	1 004	(3 853)
Cash flow hedge reserve	(227)	(284)
Retained earnings	121 478	129 089
Profit/(loss) for the period	11 196	(7 611)
Equity attributable to equity holders of the parent	342 360	326 250
Non-controlling interest	134 371	150 119
Total equity	476 731	476 369
Non-current liabilities		
Borrowings	158 731	156 205
Deferred tax liability	1 656	1 549
Deferred income	3 127	3 827
Derivative financial instruments	52	119
Total non-current liabilities	163 566	161 700
Current liabilities		
Borrowings	23 237	21 306
Trade and other payables	16 823	17 211
Taxes payable	1 314	3 697
Derivative financial instruments	463	510
Deferred income	3 006	2 439
Provisions	2 243	2 087
Total current liabilities	47 086	47 250
Total liabilities	210 652	208 950
Total equity and liabilities	687 383	685 319

On behalf of the Management Board:

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

Consolidated statement of cash flows

For the period ended 30 June

	2015	2014
	EUR'000	EUR'000
Operating activities		
Profit before tax	22 456	5 165
<u>Adjustments for:</u>		
Depreciation and amortisation	12 317	10 767
Change in value of financial instruments	-	(183)
(Profit)/ Loss on disposal of non-financial assets	(24)	296
Currency translation difference	(5 281)	97
Finance income	(826)	(957)
Finance costs	3 718	3 739
Recognition of other financial assets	-	(14 607)
Income from liabilities written off	(117)	-
Goodwill written off	(585)	-
Profit from disposal of non-current financial assets	(1 030)	-
Recognized impairment of the other current financial assets	-	6 126
Recognized impairment of the fleet and assets classified as held for sale	1 886	16 565
	32 514	27 008
<u>Working capital adjustments:</u>		
Changes in trade and other receivables and prepayments	2 772	(1 639)
Changes in inventories	8 040	(420)
Changes in trade and other payables	2 314	1 090
	45 640	26 039
Corporate income tax paid	(4 806)	(343)
Net cash flows generated from operating activities	40 834	25 696
Investing activities		
Proceeds from sale of non-current assets	145	9 101
Purchase of non-current assets	(3 289)	(1 803)
Proceeds from sale of non-current financial assets	1	-
Investments in Group's subsidiary	(1 706)	-
Grants from ERDF	(633)	-
Increase in short term deposits	(23 523)	(10 162)
Loans received	37 563	-
Interest received	1 339	508
Net cash flows generated from/ (used in) investing activities	9 897	(2 356)
Financing activities		
Dividends paid	(5 970)	(6 116)
Paid to non-controlling interest as the result of reduction of share capital of Group's subsidiary	(24 890)	-
Repayment of borrowings	(12 115)	(18 058)
Interest paid	(3 155)	(3 272)
Prepaid financing expenses	(10)	(196)
Net cash flows used in financing activities	(46 140)	(27 642)
Net increase/ (decrease) in cash and cash equivalents	4 591	(4 302)
Cash and cash equivalents as at 1 January	58 034	51 125
Exchange gain on cash and cash equivalents	67	(2)
Cash and cash equivalents as at 30 June	62 692	46 821

Consolidated statement of changes in equity

For the period ended 30 June

	Attributable to the equity holders of the parent							Non-controlling interest	Total
	Share capital	Share premium	Reserve of share capital denomination	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balances as of 1 January 2014	148 661	60 248	-	(11 084)	(445)	136 292	333 672	174 660	508 332
Profit for the period	-	-	-	-	-	2 998	2 998	1 350	4 348
Other comprehensive income	-	-	-	171	79	-	250	250	500
Total comprehensive income	-	-	-	171	79	2 998	3 248	1 600	4 848
Dividends declared	-	-	-	-	-	-	-	(6 116)	(6 116)
Balances as of 30 June 2014	148 661	60 248	-	(10 913)	(366)	139 290	336 920	170 144	507 064
Loss for the period	-	-	-	-	-	(10 609)	(10 609)	(7 717)	(18 326)
Other comprehensive income	-	-	-	7 060	82	-	7 142	7 161	14 303
Total comprehensive income/ (loss)	-	-	-	7 060	82	(10 609)	(3 467)	(556)	(4 023)
Reserve of share capital denomination	(2 390)	-	2 390	-	-	-	-	-	-
Other reserves	-	-	-	-	-	(7 295)	(7 295)	(7 312)	(14 607)
Effect of subsidiaries's share capital reduction	-	-	-	-	-	-	-	(12 250)	(12 250)
Other adjustments	-	-	-	-	-	92	92	93	185
Balances as of 31 December 2014	146 271	60 248	2 390	(3 853)	(284)	121 478	326 250	150 119	476 369
Profit for the period	-	-	-	-	-	11 196	11 196	10 027	21 223
Other comprehensive income	-	-	-	4 857	57	-	4 914	4 926	9 840
Total comprehensive income	-	-	-	4 857	57	11 196	16 110	14 953	31 063
Effect of subsidiary's share capital reduction	-	-	-	-	-	-	-	(22 440)	(22 440)
Decrease in subsidiary's non-controlling	-	-	-	-	-	-	-	(2 291)	(2 291)
Dividends declared	-	-	-	-	-	-	-	(5 970)	(5 970)
Balances as of 30 June 2015	146 271	60 248	2 390	1 004	(227)	132 674	342 360	134 371	476 731

Notes to the unaudited condensed 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 2014, 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 30.06.2015 EUR/USD – 1.1133 (average – 1.117339)

ECB (the European Central Bank) rate of exchange as at 30.06.2014 EUR/USD – 1.3620 (average – 1.370615)

ECB (the European Central Bank) rate of exchange as at 31.12.2014 EUR/USD – 1.2141

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

For the period ended 30 June

2. Segment information

	Storage and reloading of oil products		Transportation of oil products via pipeline		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000	2015 EUR'000	2014 EUR'000
Revenue from external customers	46 111	44 720	8 649	9 659	40 469	34 392	-	-	95 229	88 771	-	-	95 229	88 771
Intersegment revenue	-	-	-	-	38	25	36	23	74	48	(74)	(48)	-	-
Voyage costs	-	-	-	-	(3 957)	(5 756)	-	-	(3 957)	(5 756)	-	-	(3 957)	(5 756)
Vessel operating costs	-	-	-	-	(12 688)	(11 384)	-	-	(12 688)	(11 384)	-	-	(12 688)	(11 384)
Cost of sales (vessel operating costs excluding)	(34 279)	(33 600)	(4 732)	(4 721)	(248)	(156)	-	-	(39 259)	(38 477)	-	-	(39 259)	(38 477)
Administrative expenses	(889)	(892)	(743)	(750)	(3 086)	(3 663)	(368)	(374)	(5 086)	(5 679)	74	53	(5 012)	(5 626)
Result from disposal of non-financial assets	27	(33)	(8)	-	5	(250)	-	(13)	24	(296)	-	-	24	(296)
Other revenue	-	-	-	-	422	125	8	-	430	125	-	-	430	125
Depreciation and amortisation	(3 036)	(2 915)	(407)	(579)	(8 868)	(7 267)	(5)	(6)	(12 316)	(10 767)	-	-	(12 316)	(10 767)
Impairment of non-financial assets*	-	-	-	-	(1 886)	(16 565)	-	-	(1 886)	(16 565)	-	-	(1 886)	(16 565)
Interest income	23	82	318	453	188	116	855	907	1 384	1 558	(559)	(619)	825	939
Interest expense	-	-	-	-	(4 091)	(4 112)	(170)	(223)	(4 261)	(4 335)	559	619	(3 702)	(3 716)
Net result before tax	7 957	7 362	3 077	4 062	6 298	(14 495)	356	314	17 688	(2 757)	-	5	17 688	(2 752)
Segment assets	104 917	116 400	37 832	99 847	353 540	327 184	196 879	165 747	693 168	709 178	(26 401)	(44 461)	30.06.2015 666 767	31.12.2014 664 717
Unallocated:														
Assets of subsidiaries not included in segment													3 905	3 778
Investment properties													246	359
Available-for-sale financial assets													16 465	16 465
Total consolidated assets													687 383	685 319
Including additions to non-current assets	1 232	3 030	423	2 451	3 445	279	-	5	5 100	5 765	-	-	5 100	5 765

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

For the period ended 30 June

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2015	2014
	EUR'000	EUR'000
Net result before taxes for reportable segment	17 688	(2 752)
Reconciliation to profit before taxes:		
Administrative expenses	(80)	(57)
Other operating (expenses)/ income, net	(1 939)	8 241
Other financial income/ (expenses), net	6 787	(262)
Adjustments and eliminations	-	(5)
PROFIT BEFORE TAXES:	22 456	5 165

Impairment of non-financial assets in the amount of EUR 1 886 thousand relates to the impairment of the fleet recognised in the reporting period of 2015 (2014: EUR 16 565 thousand).

In the annual report for 2014 the business activities of previously reported operating segment – *Crude oil and oil products* was split into two reportable segments *Storage and reloading of oil products* and *Transportation of oil products via pipeline*. Comparative information for 6 month period of 2014 was adjusted accordingly.

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

For the period ended 30 June

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	HY1 2015		30.06.2015	
		Income EUR'000	Expense EUR'000	Amounts due from related parties EUR'000	Amounts due to related parties EUR'000
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	348	-	67 997	-
Vitol Baltics Ltd	Rental costs/Management and accounting services/ Outstanding balances	19	-	14	-
Transnefteprodukt AK	Interest income/ Outstanding balances	81	-	-	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	54 118	-	1 637	(1 480)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods/ Outstanding balances	-	-	-	(20)
ITANK B.V.	IT services/ Outstanding balances	-	-	-	(208)
VTI TERMINAL Support Services B.V.	Services for work in progress/Outstanding balances	-	-	-	(8)
Ventspils Tank Services SA	Storage of oil/ Outstanding balances	-	(1 965)	-	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(15)	-	(2 094)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	2	-	206	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	180	-	11	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	11 108	-	-	(1 016)
Vitol S.A.	Voyage income/ Outstanding balances	1 240	-	317	-
Vitol S.A.	Selling of crude oil	8 899	-	-	-
Vitol S.A.	Interest income/ Outstanding balances	55	-	-	-
	TOTAL:	76 050	(1 980)	70 182	(4 826)
Including:					
Non-current				67 955	-
Current				2 227	(2 330)
Deferred income				-	(2 496)
				TOTAL:	70 182
					(4 826)

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

For the period ended 30 June

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 2014 can be seen in the table below:

Related party	Nature of services	HY1 2014		31.12.2014	
		Income EUR'000	Expense EUR'000	Amounts due from related parties EUR'000	Amounts due to related parties EUR'000
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	417	-	68 002	-
Vitol Baltics Ltd	Rental costs/Management and accounting services/ Outstanding balances	-	-	69	-
Transnefteprodukt AK	Interest income/ Outstanding balances	125	-	16 961	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	53 710	-	2 480	(1 537)
Eurotank Holding SARL	Accounts payable resulting from decrease of share capital	-	-	-	(2 450)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods/ Outstanding balances	-	-	-	(20)
ITANK B.V.	IT services/ Outstanding balances	-	-	-	(208)
Ventspils Tank Services SA	Storage of oil/ Outstanding balances	-	-	-	(500)
Latvijas Naftas Tranzits JSC	Other services/ Outstanding balances	-	-	13	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(23)	-	(2 079)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	3	-	410	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	139	-	5	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	9 363	-	9	(50)
Vitol S.A.	Voyage income/ Outstanding balances	1 871	-	-	-
Vitol S.A.	Interest income/ Outstanding balances	89	-	16 490	-
Vitol Inc	Voyage income/ Outstanding balances	401	-	-	-
TOTAL:		66 118	(23)	104 439	(6 844)
Including:					
Non-current				67 955	-
Current				36 484	(5 257)
Deferred income				-	(1 587)
TOTAL:				104 439	(6 844)