



**VENTSPILS NAFTA**

**JSC VENTSPILS NAFTA  
UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**  
30 September 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.

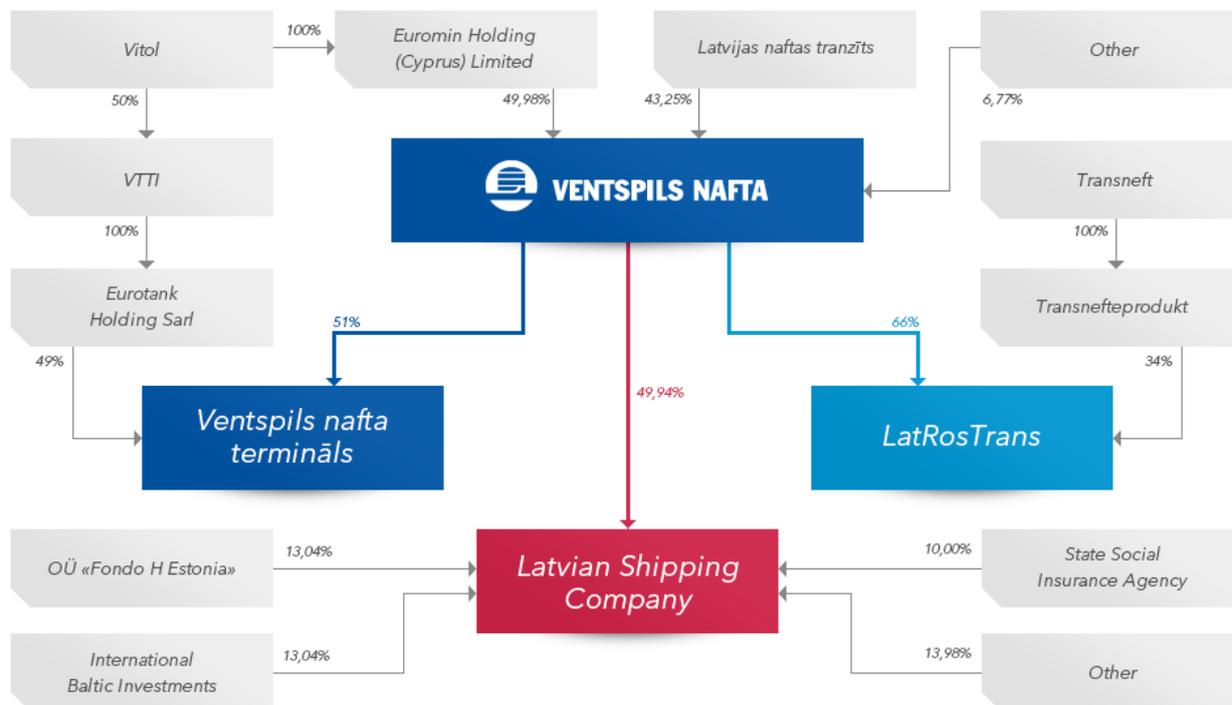
### Strategy

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)

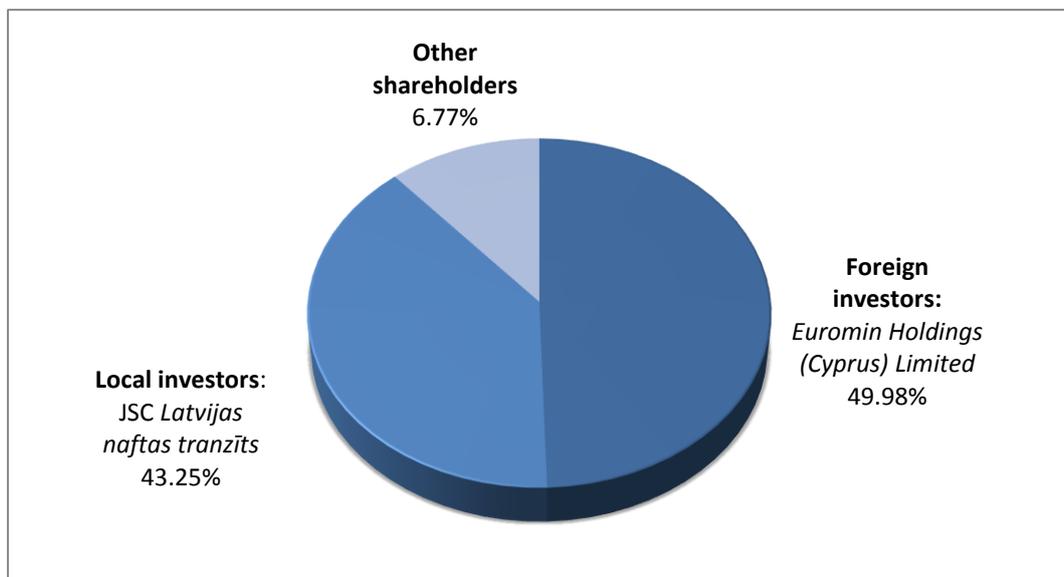
### Corporate structure

Corporate structure of JSC Ventspils nafta as of 30 September 2014



### Shareholders

Main shareholders (over 5%) of JSC Ventspils nafta as of 30 September 2014

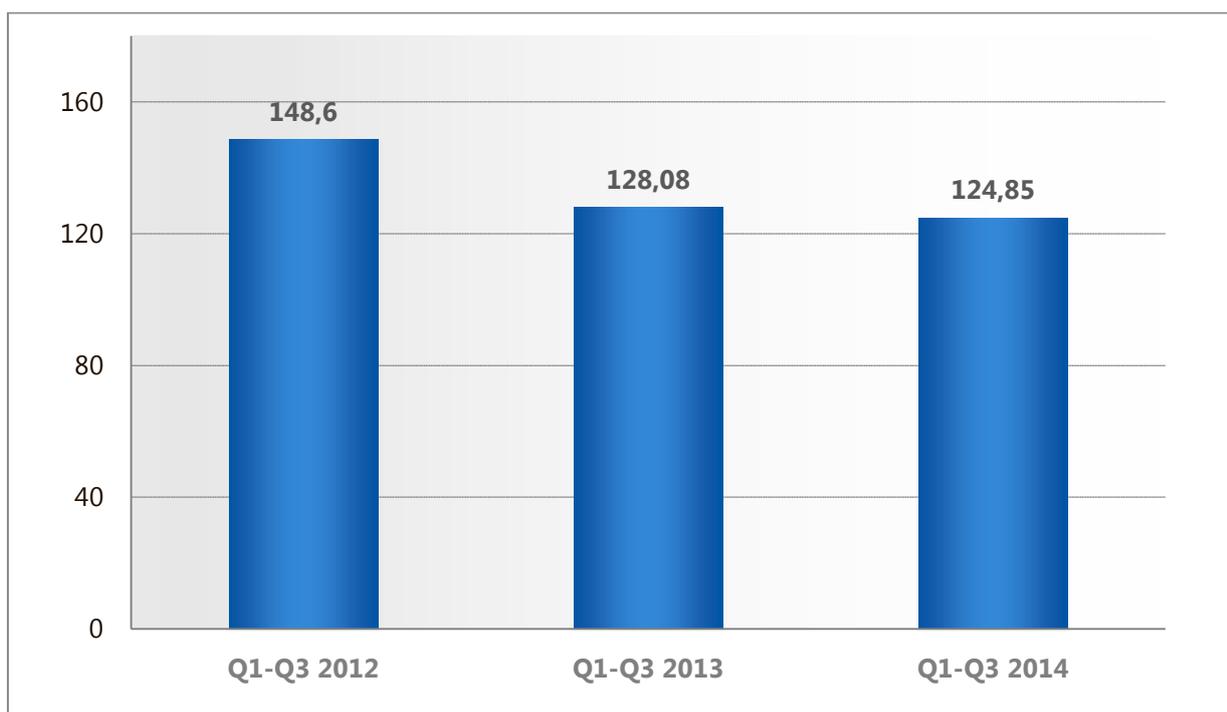


## Information about Ventspils nafta (cont'd)

### Key figures

	9M 2012	9M 2013	9M 2014
<b>Turnover (million EUR)</b>	148.6	128.08	124.85
<b>Net (loss)/ profit (million EUR)</b>	(14.02)	(7.68)	7.72
<b>Gross profit before depreciation (million EUR)</b>	52.40	55.33	49.33
<b>% of turnover</b>	35.3%	43.2%	39.5%
<b>EBITDA (million EUR)</b>	42.25	45.67	44.05
<b>% of turnover</b>	28.4%	35.7%	35.3%
<b>EBIT (million EUR)</b>	17.30	21.38	28.19
<b>% of turnover</b>	11.6%	16.7%	22.6%
<b>Return on Assets (%)</b>	(1.6%)	(0.9%)	1.1%
<b>Return on Equity (%)</b>	(2.42%)	(1.33%)	1.50%
<b>EPS attributable to owners of the parent (EUR)</b>	(0.06)	(0.03)	0.05
<b>Liquidity ratio</b>	2.85	2.17	4.00

### 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 2014 – 30 September 2014)

Open	1.423 EUR
Max	1.500 EUR
Min	0.954 EUR
Last	1.120 EUR
Average price	1.202 EUR
Change	-21.29 %
Deals	389
No of shares traded	73 626
Turnover	89 642.84 EUR
Capitalisation on 30.09.2014	117 017 061.28 EUR

## Securities trading history, EUR

Price	2010	2011	2012	2013	Q1-Q3/2014
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	1.120
Traded volume	1 492 345	1 632 287	1 222 348	305 600	73 626
Turnover, million EUR	3.16	3.30	2.33	0.44	0.09
Capitalisation, million EUR	208.13	178.39	159.07	148.66	117.02

## Information on shares (cont'd)

### Share price in comparison with *NASDAQ OMX Riga* index (1 January 2014 – 30 September 2014)



Index/Equity	01.01.2014	30.09.2014	+/-%
— OMX Baltic Benchmark GI	613.50	577.22	-5.91 ↓
— VNF1R	1.42 EUR	1.12 EUR	-21.29 ↓

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

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## Supervisory Council

### Members of the Council

Vladimir Egger  
Rubel Yilmaz  
Simon Boddy  
Andrea Schlaepfer  
Julia Verschagina  
Varvara Maximova  
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 2014 to 30 October 2014 were as follows:

<b>Elected</b>	<b>Dismissed/ Resigned</b>	<b>Name</b>	<b>Position held</b>
11/06/2014	-	Andrea Schlaepfer	Member of the Council
11/06/2014	-	Julia Verschagina	Member of the Council
11/06/2014	-	Varvara Maximova	Member of the Council
20/01/2010	11/06/2014	Mikhail Dvorak	Member of the Council
20/01/2010	11/06/2014	Javed Ahmed	Member of the Council
07/07/2010	11/06/2014	Christophe Theophanis Matsacos	Member of the Council

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.

## Supervisory Council (cont'd)

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



**Vladimir Egger** was the Chairman of the Supervisory Council of JSC Ventspils Nafta in the time period from January 20, 2010 until June 11, 2014, and was re-elected as a member of the Supervisory Council for a period of 3 years on June 11, 2014. Egger is also a member 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** has worked as 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 June 11, 2014. Yilmaz is also holds positions in Ventspils nafta subsidiaries – he is a member 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.



**Simon Boddy** 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 June 11, 2014. 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.



**Andrea Schlaepfer** is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. 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.



**Varvara Maximova** is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. 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.

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## Supervisory Council (cont'd)

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



**Julia Verschagina** is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. Verschagina is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

Julia Verschagina is a head of operations in distillates matrix at Vitol Services BV Moscow representative office since 2012, previously she took position of operator in logistic department at VNT SA, Moscow representative. J.Verschagina has graduated State University – Higher School of Economics in Moscow. Ms Julia Verschagina 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 June 11, 2014.

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, and was re-elected for a period of 3 years on June 11, 2014.

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 June 11, 2014.

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 June 11, 2014.

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 June 11, 2014.

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.

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## Management Board

Chairman of the Board

Robert Kirkup

Members of the Board

Boris Bednov  
Aleksiej 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 30 October 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.

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.

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.



**Aleksiej 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 Aleksiej 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 September 2014, changes in shareholders' equity, cash flows and the results of the Group for the nine month period ended 30 September 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, 30 October 2014

## Management Report

**Dear shareholders,**

In the 9M/2014, JSC Ventspils nafta and its subsidiaries (the Group) have achieved profit of 7.72 million EUR. In the same period last year the Group suffered losses of 7.68 million EUR.

In the reporting period, the consolidated income of the Group was 124.85 million EUR (9M/2013: 128.08 million EUR), but the gross profit was 33.47 million EUR (9M/2013: 31.05 million). The Group's results for the reporting period were affected by items not related to operating activities.

JSC Latvian Shipping Company (LSC Group) has previously reported a partial settlement of the Antonio Gramsci Corporation court case in the High Court of London. In the reporting period, this settlement had a positive impact on the LSC Group's assets but it was negated by a further impairment of the fleet. This impairment arose as a result of the decision by the management to reassess the useful life of the fleet from twenty to fifteen years in line with stringent major oil company vetting procedures, especially in respect of vessel age.

Similarly, the investment in 15.91% of the share capital of AS "Latvijas Naftas tranzīts" via SIA "Skonto nafta" (which belongs 71.43% to SIA "Nafta invest") and SIA "Nafta Invest" (which belongs 100% to the LSC Group) by the previous management in Q1/2010 at a price of 27.60 million USD has now been re-evaluated. AS "Latvijas Naftas tranzīts" had not approved or disclosed its audited financial statements for several years, therefore, its financial situation has been unclear. However, based on the recently obtained information, the management has decided to adopt a conservative approach to this investment and has made an impairment of 8.34 million USD.

In 9M/2014 the Group's administrative costs rose by 6% to 8.39 million EUR (9M/2013: 7.91 million EUR). This was mostly 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 6.87 million EUR in 9M/2014 was largely resulting from the 6.37 million EUR dividend income derived from its investment in Ventspils nafta terminals Ltd.

During the 9 months of 2014, administrative costs of VN fell by 192 thousand EUR to 555 thousand EUR (9M/2013: 747 thousand EUR).

VN's administrative costs are fully covered by management services provided to the group and interest income from the issued loans and placed deposits. In 9M/2014, net interest income was 1.03 million EUR (9M/2013: 0.85 million EUR).

### Ventspils nafta terminals (VNT)

Ventspils nafta termināls' income rose by 4.53 million EUR to 59.95 million EUR (9M/2013: 55.42 million EUR), driven by a minor growth in volumes to 8.5 million tonnes of petroleum products. Net profit was 10.29 million EUR (9M/2013: 10.44 million EUR). Volumes continue flowing through both the pipeline (55%) and rail or sea (45%).

### LatRosTrans (LRT)

Volumes of transported petroleum products reached 4.68 million tonnes (9M/2013: 4.59 million tonnes).

In 9M/2014 revenues were 13.56 million EUR, increased by 5.5% compared to 9M/2013 (12.85 million EUR), and gross profits rose by 4.15 million EUR to 5.70 million EUR (9M/2013: 1.55 million EUR).

The improvement in gross profit has been partly 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 the non-current assets in 9M/2014. In Q3/2014 LRT carried out reduction of the share capital in the amount of the accumulated losses (59.465 million EUR) as of 31/12/2013. This divestment was undertaken in order to retain the ability to return cash retained within LRT to shareholders in the future. The reduction of the share capital did not change the total equity of LRT.

## Management Report (cont'd)

Net result of LRT was 8.04 million EUR (9M/2013: 0.89 million EUR) in the reporting period. Since a substantial part of LRT's assets are denominated in USD, they are subject to a currency exchange risk. Therefore, the net result of LRT in 9M/2014 was influenced by net profit from exchange rate fluctuations in the amount of 3.86 million EUR. In turn, in the comparative period of 9M/2013 the net result was affected by net losses from exchange rate fluctuations in the amount of 0.81 million EUR.

### Latvian Shipping Company (LSC)

In the 9 months period, revenue from the fleet fell by 9.04 million USD to 69.71 million USD, driven by the consequence of having fewer vessels employed within the fleet (9M/2013: 78.75 million USD). The LSC Group fleet's net voyage result for the reporting period was 57.99 million USD, which is a decrease on the previous year (9M/2013: 67.39 million USD). Again, this reflects the decrease in the size of the fleet. At the same time, the vessel operating profit after depreciation and dry-dock amortisation was 20.66 million USD, a result comparable to that achieved in the previous period (9M/2013: 21.38 million USD), despite having fewer vessels employed within the fleet.

The financial result for the LSC Group for the 9M/2014 resulted in a net loss in the amount of 14.17 million USD. The accumulated result for nine months of 2014 was positively affected by income from a partial settlement in respect of the Antonio Gramsci Corporation court case in the High Court in London in the amount of 20.05 million USD, sale of the real estate property located on Jēkaba street, Riga, and revaluation of the investment in the medical clinic SIA "Via Una". However, vessel impairments in the amount of 32.25 million USD, losses from the sale of the vessel "Riga" in the amount of 0.32 million USD, as well as re-evaluation of the investment in AS "Latvijas Naftas tranzīts" in the amount of 8.34 million USD has negatively impacted the LSC Group's results. LSC Group suffered a loss of 24.64 million USD in the same period last year.

At the end of the 3rd quarter, the LSC Group's cash position had improved and LSC Group had cash and short-term deposits with maturity up to twelve months in the amount of 39.64 million USD. The LSC Group cash position at 31st December 2013 was 36.57 million USD. In the reporting period, the intergroup loan, which was received in early 2012 from VN and secured by the real estate property on Jēkaba street, was repaid after the sale of that property.

During the nine months of 2014, the LSC Group's fleet was reduced from seventeen to sixteen vessels. Sale of the vessel "Riga" was concluded in March, 2014, which, as previously explained, was required in order to limit the losses originating from the vessel "Riga" sale – leaseback – repurchase agreement concluded back in 2009 by the previous management. The vessel was delivered to the buyer in June, 2014. No further sales are currently planned from the LSC fleet, thus the fleet as of 30th September 2014 consisted of sixteen modern tankers with an average age of 7 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, 30 October 2014

## Interim consolidated income statement

For the period ended 30 September

	<b>2014</b> <u>EUR '000</u>	<b>2013</b> <u>EUR '000</u>
Revenue	124 850	128 077
Cost of sales	<u>(91 381)</u>	<u>(97 031)</u>
<b>Gross profit</b>	<b>33 469</b>	<b>31 046</b>
General and administrative expense	(8 385)	(7 910)
Selling costs	-	(18)
Other operating income	16 247	1 258
Other operating expense	(7 693)	(5 225)
Impairment of other non-financial assets	(24 084)	(18 177)
Finance income	5 389	1 182
Finance costs	<u>(5 723)</u>	<u>(9 371)</u>
<b>Profit/ (Loss) before tax</b>	<b>9 220</b>	<b>(7 215)</b>
Corporate income tax	<u>(1 496)</u>	<u>(461)</u>
<b>Profit/ (Loss) for the period</b>	<b><u>7 724</u></b>	<b><u>(7 676)</u></b>
Attributable to:		
Parent company's shareholders	5 558	(3 451)
Non-controlling interest	<u>2 166</u>	<u>(4 225)</u>
	<b><u>7 724</u></b>	<b><u>(7 676)</u></b>
Profit/ (Loss) per share attributable		
to the Parent company's shareholders:	<u>EUR 0,05</u>	<u>EUR (0,03)</u>
Profit/ (Loss) per share	<u>EUR 0,07</u>	<u>EUR (0,07)</u>

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 30 September

	<b>2014</b>	<b>2013</b>
	EUR '000	EUR '000
<b>Profit/ (loss) for the period</b>	<b>7 724</b>	<b>(7 676)</b>
<b>Other comprehensive income</b>		
- Foreign currency revaluation reserve	10 000	(2 221)
- Cash flow hedge reserve	271	460
<b>Other comprehensive income (loss) for the period</b>	<b>10 271</b>	<b>(1 761)</b>
<b>Total comprehensive profit/ (loss) for the period</b>	<b>17 995</b>	<b>(9 437)</b>
Attributable to:		
Parent company's shareholders	10 687	(4 332)
Non-controlling interests	7 308	(5 105)
	<b>17 995</b>	<b>(9 437)</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>30.09.2014.</b>	<b>31.12.2013.</b>
	EUR '000	EUR '000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	21 559	21 572
Property, plant and equipment	404 599	428 889
Investment properties	178	1 589
Investments in associated entities	455	10
Loans to affiliated companies	100 148	97 454
Other non-current financial assets	34 201	33 694
<b>Total non-current assets</b>	<b>561 140</b>	<b>583 208</b>
<b>Current assets</b>		
Inventories	2 981	3 469
Trade and other receivables	10 017	8 983
Short term deposits	60 097	44 443
Other current financial assets	32 888	24 239
Cash and cash equivalents	52 293	51 125
<b>Total current assets</b>	<b>158 276</b>	<b>132 259</b>
<b>Total assets</b>	<b>719 416</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>30.09.2014.</b>	<b>31.12.2013.</b>
	<u>EUR '000</u>	<u>EUR '000</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	146 271	148 660
Share premium	60 249	60 249
Reserve of share capital denomination	2 389	-
Foreign currency revaluation reserve	(6 090)	(11 084)
Cash flow hedge reserve	(310)	(445)
Retained earnings	136 292	176 166
Profit/ (Loss) for the period	5 558	(39 874)
<b>Equity attributable to equity holders of the parent</b>	<b>344 359</b>	<b>333 672</b>
Non-controlling interest	175 852	174 660
<b>Total equity</b>	<b>520 211</b>	<b>508 332</b>
<b>Non-current liabilities</b>		
Borrowings	154 414	157 981
Deferred tax liability	1 740	1 581
Deferred income	3 134	3 297
Derivative financial instruments	299	418
<b>Total non-current liabilities</b>	<b>159 587</b>	<b>163 277</b>
<b>Current liabilities</b>		
Borrowings	20 369	27 170
Trade and other payables	14 405	12 735
Taxes payable	1 480	421
Derivative financial instruments	380	740
Deferred income	1 735	1 483
Provisions	1 249	1 309
<b>Total current liabilities</b>	<b>39 618</b>	<b>43 858</b>
<b>Total liabilities</b>	<b>199 205</b>	<b>207 135</b>
<b>Total equity and liabilities</b>	<b>719 416</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 30 September

	2014	2013
	<u>EUR'000</u>	<u>EUR'000</u>
<b>Operating activities</b>		
<b>Profit/ (loss) before tax</b>	9 220	(7 215)
<u>Adjustments for:</u>		
Depreciation and amortisation	15 861	24 284
Changes in financial instruments	(183)	-
(Gain)/Loss on disposal of non-financial assets	(131)	3 534
Currency translation difference	(2 687)	753
Interest income	(1 488)	(1 182)
Interest expense	5 426	8 069
Recognition of other financial assets	(14 607)	-
Recognized impairment of the other current financial assets	6 126	-
Changes in fair value of financial assets	(444)	-
Recognized impairment of the fleet	24 084	18 177
	<u>41 177</u>	<u>46 420</u>
<u>Working capital adjustments:</u>		
Changes in trade and other receivables and prepayments	(20)	5 263
Changes in inventories	488	502
Changes in trade and other payables	1 065	(54)
	<u>42 710</u>	<u>52 131</u>
Corporate income tax paid	(453)	(657)
<b>Net cash flows from operating activities</b>	<u>42 257</u>	<u>51 474</u>
<b>Investing activities</b>		
Proceeds from sale of non-current assets	11 025	10 940
Purchase of non-current assets	(3 426)	(4 183)
Proceeds from sale of non-current financial assets	-	(6)
Increase in short term deposits	(15 654)	(6 724)
Loans issued	-	(32 070)
Interest received	1 103	854
<b>Net cash flows used in investing activities</b>	<u>(6 952)</u>	<u>(31 189)</u>
<b>Financing activities</b>		
Repayment of borrowings	(23 173)	(24 913)
Payment of finance lease liabilities	-	(909)
Dividends paid	(6 116)	(15 889)
Interest paid	(4 700)	(7 124)
Prepaid financing expenses	(198)	(213)
<b>Net cash flows used in financing activities</b>	<u>(34 187)</u>	<u>(49 048)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<u>1 118</u>	<u>(28 763)</u>
Cash and cash equivalents as at 1 January	51 125	72 024
Exchange gain on cash and cash equivalents	50	723
<b>Cash and cash equivalents as at 30 September</b>	<u>52 293</u>	<u>43 984</u>

## Interim consolidated statement of changes in equity

### Attributable to the equity holders of the parent

	Share capital	Reserve of share capital denomination	Share premium	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest	Total
	EUR'000	EUR'000	EUR'000	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>
Loss for the period	-	-	-	-	-	(3 451)	(3 451)	(4 225)	(7 676)
Other comprehensive (loss)/ income	-	-	-	(1 110)	229	-	(881)	(880)	(1 761)
Total comprehensive (loss)/ income	-	-	-	(1 110)	229	(3 451)	(4 332)	(5 105)	(9 437)
Dividends declared	-	-	-	-	-	-	-	(15 889)	(15 889)
<b>Balances as of 30 September 2013</b>	<b>148 660</b>	-	<b>60 249</b>	<b>(10 280)</b>	<b>(484)</b>	<b>172 715</b>	<b>370 860</b>	<b>192 545</b>	<b>563 405</b>
Loss for the period	-	-	-	-	-	(36 423)	<b>(36 423)</b>	(17 115)	<b>(53 538)</b>
Other comprehensive (loss)/ income	-	-	-	(804)	39	-	<b>(765)</b>	(770)	<b>(1 535)</b>
Total comprehensive (loss)/ income	-	-	-	(804)	39	(36 423)	<b>(37 188)</b>	(17 885)	<b>(55 073)</b>
<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	-	-	-	-	-	5 558	5 558	2 166	7 724
Other comprehensive income	-	-	-	4 994	135	-	5 129	5 142	10 271
Total comprehensive income	-	-	-	4 994	135	5 558	10 687	7 308	17 995
Reserve of share capital denomination	(2 389)	2 389	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	(6 116)	(6 116)
<b>Balances as of 30 September 2014</b>	<b>146 271</b>	<b>2 389</b>	<b>60 249</b>	<b>(6 090)</b>	<b>(310)</b>	<b>141 850</b>	<b>344 359</b>	<b>175 852</b>	<b>520 211</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 30.09.2014 EUR/USD – 1.2701 (average – 1.355894)

LB (the Bank of Latvia) rate of exchange as at 30.09.2013. EUR/USD – 1.3489 (average – 1.316805)

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

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

For the period ended 30 September

### 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>73 517</b>	<b>68 267</b>	<b>51 122</b>	<b>59 379</b>	-	-	<b>124 639</b>	<b>127 646</b>	-	-	<b>124 639</b>	<b>127 646</b>
Intersegment revenue	-	-	42	-	38	131	<b>80</b>	<b>131</b>	(80)	(131)	-	-
Voyage costs	-	-	(8 456)	(8 194)	-	-	<b>(8 456)</b>	<b>(8 194)</b>	-	-	<b>(8 456)</b>	<b>(8 194)</b>
Vessel operating costs	-	-	(17 052)	(19 459)	-	-	<b>(17 052)</b>	<b>(19 459)</b>	-	-	<b>(17 052)</b>	<b>(19 459)</b>
Cost of sales (vessel operating costs excluding)	(50 035)	(45 091)	(205)	(329)	-	-	<b>(50 240)</b>	<b>(45 420)</b>	1	4	<b>(50 239)</b>	<b>(45 416)</b>
Administrative expenses	(2 461)	(2 297)	(5 179)	(4 622)	(518)	(714)	<b>(8 158)</b>	<b>(7 633)</b>	86	154	<b>(8 072)</b>	<b>(7 479)</b>
Result from disposal of non-financial assets	(20)	594	164	(4 128)	(13)	-	<b>131</b>	<b>(3 534)</b>	-	-	<b>131</b>	<b>(3 534)</b>
Other revenue	-	-	211	431	-	-	<b>211</b>	<b>431</b>	-	-	<b>211</b>	<b>431</b>
Depreciation and amortisation	(5 265)	(8 799)	(10 587)	(15 475)	(9)	(10)	<b>(15 861)</b>	<b>(24 284)</b>	-	-	<b>(15 861)</b>	<b>(24 284)</b>
Impairment of non-financial assets*	-	-	(24 084)	(18 177)	-	-	<b>(24 084)</b>	<b>(18 177)</b>	-	-	<b>(24 084)</b>	<b>(18 177)</b>
Interest income	815	793	210	31	1 370	1 198	<b>2 395</b>	<b>2 022</b>	(941)	(847)	<b>1 454</b>	<b>1 175</b>
Interest expense	-	-	(5 993)	(8 557)	(343)	(343)	<b>(6 336)</b>	<b>(8 900)</b>	941	847	<b>(5 395)</b>	<b>(8 053)</b>
<b>Net result before tax</b>	<b>16 551</b>	<b>13 467</b>	<b>(19 807)</b>	<b>(19 100)</b>	<b>525</b>	<b>262</b>	<b>(2 731)</b>	<b>(5 371)</b>	<b>7</b>	<b>27</b>	<b>(2 724)</b>	<b>(5 344)</b>
<b>Segment assets</b>	<b>235 792</b>	<b>228 035</b>	<b>334 527</b>	<b>352 283</b>	<b>154 629</b>	<b>146 240</b>	<b>724 948</b>	<b>726 558</b>	<b>(41 472)</b>	<b>(39 772)</b>	<b>683 476</b>	<b>686 786</b>
Unallocated:												
Assets of subsidiaries not included in segment											4 737	4 512
Investment properties											178	1 589
Other financial assets											14 608	-
Available-for-sale financial assets											16 416	22 580
<b>Total consolidated assets</b>											<b>719 415</b>	<b>715 467</b>
Including additions to non-current assets	3 283	5 748	266	941	2	7	<b>3 551</b>	<b>6 696</b>	-	-	<b>3 551</b>	<b>6 696</b>

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

For the period ended 30 September

### 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	(2 724)	(5 344)
<b>Reconciliation to profit/ (loss) before tax:</b>		
Administrative expenses	(89)	(88)
Selling expenses	-	(18)
Other operating income/ (expenses), net	8 433	(402)
Other financial income/ (expenses), net	3 607	(1 336)
Adjustments and eliminations	(7)	(27)
<b>PROFIT/ (LOSS) BEFORE TAX:</b>	<b>9 220</b>	<b>(7 215)</b>

\* Impairment of non-financial assets in amount of EUR 24 084 thousand relates to the impairment of the fleet recognised in the reporting period of 2014 (2013: EUR 18 177 thousand).

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

For the period ended 30 September

### 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	Q3 2014		30.09.2014	
		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	628	-	68 003	-
Transnefteprodukt AK	Interest income/ Outstanding balances	187	-	16 299	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	72 799	-	1 027	(1 567)
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(31)	-	(2 068)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	4	-	409	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	208	-	5	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	14 275	-	-	(852)
Vitol S.A.	Voyage income/ Outstanding balances	1 930	-	399	-
Vitol S.A.	Interest income/ Outstanding balances	136	-	15 910	-
Vitol Inc	Voyage income/ Outstanding balances	780	-	-	-
<b>TOTAL:</b>		<b>90 947</b>	<b>(31)</b>	<b>102 052</b>	<b>(4 487)</b>
Including:					
Non-current				100 148	-
Current				1 904	(2 068)
Deferred income				-	(2 419)
<b>TOTAL:</b>				<b>102 052</b>	<b>(4 487)</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	Q3 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	572	-	67 955	-
Transnefteprodukt AK	Interest income/ Outstanding balances	127	-	14 843	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	68 325	-	1 901	(1 656)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(1)	-	-
Vitol Tank Terminals International B.V.	Compensation of expenses	-	-	23	-
Latvijas Naftas Tranzits JSC	Other income/ Outstanding balances	6	-	11	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(17)	-	(2 036)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	3	-	406	-
	Tech.management fee and IT services/ Outstanding balances	255	-	9	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	16 973	-	-	(949)
Vitol S.A.	Voyage income/ Outstanding balances	4 252	-	30	-
Vitol S.A.	Interest income/ Outstanding balances	94	-	14 670	-
Vitol S.A.	Selling of oil products	768	-	-	-
Vitol Asia Pte.	Voyage income/ Outstanding balances	-	-	208	-
	<b>TOTAL:</b>	<b>91 375</b>	<b>(18)</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>