



VENTSPILS NAFTA

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

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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

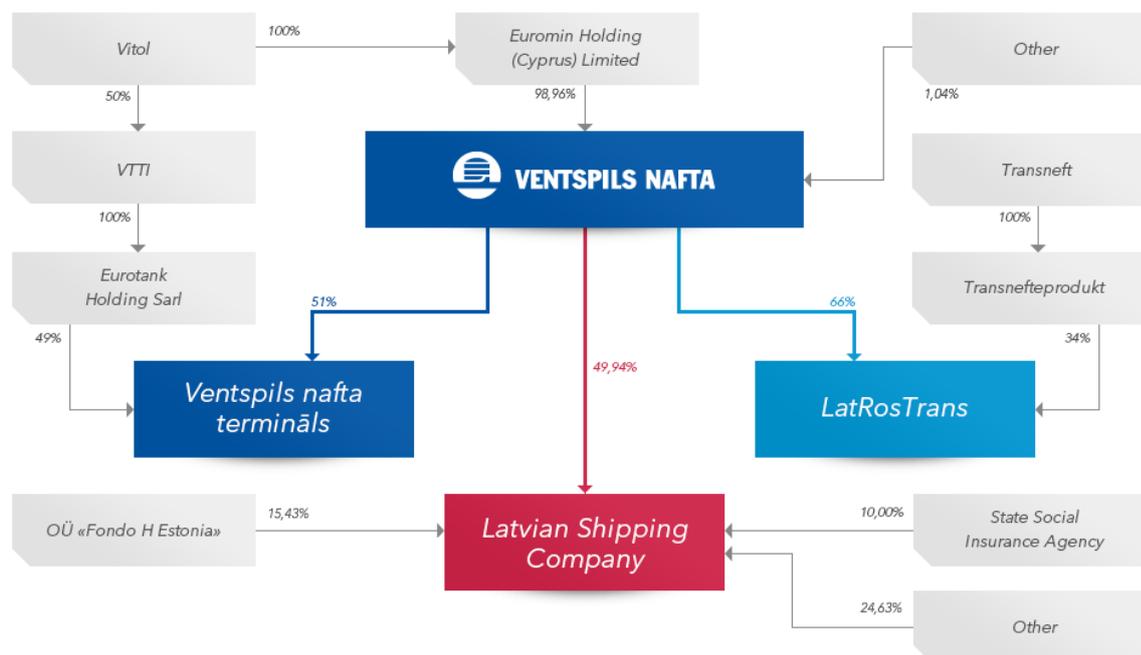
About the Company

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)

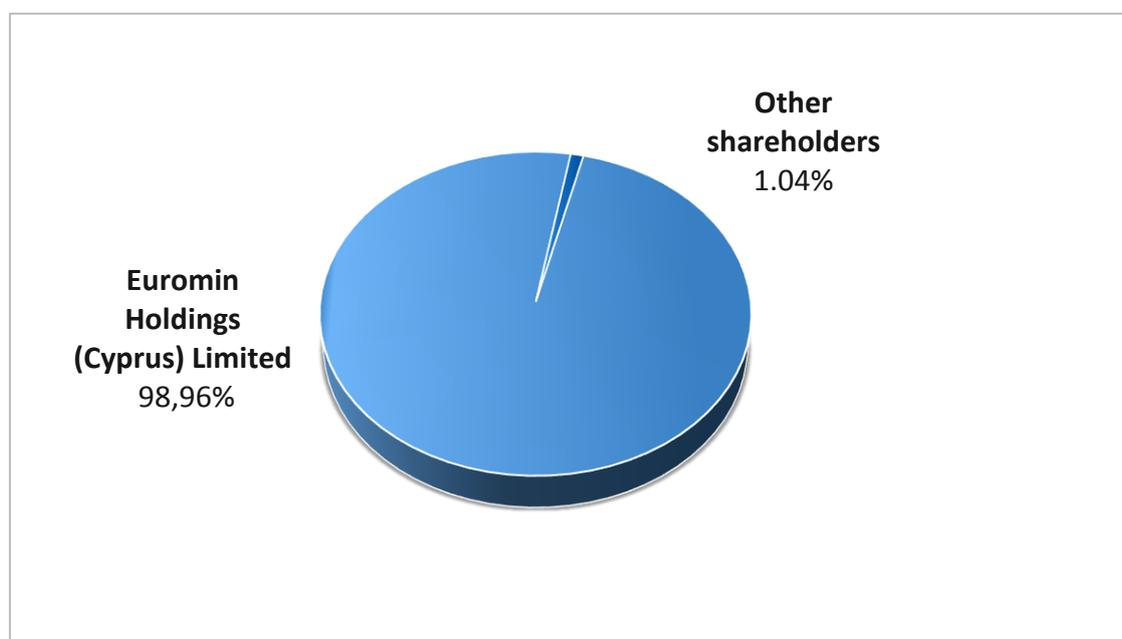
Corporate structure

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



Shareholders

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

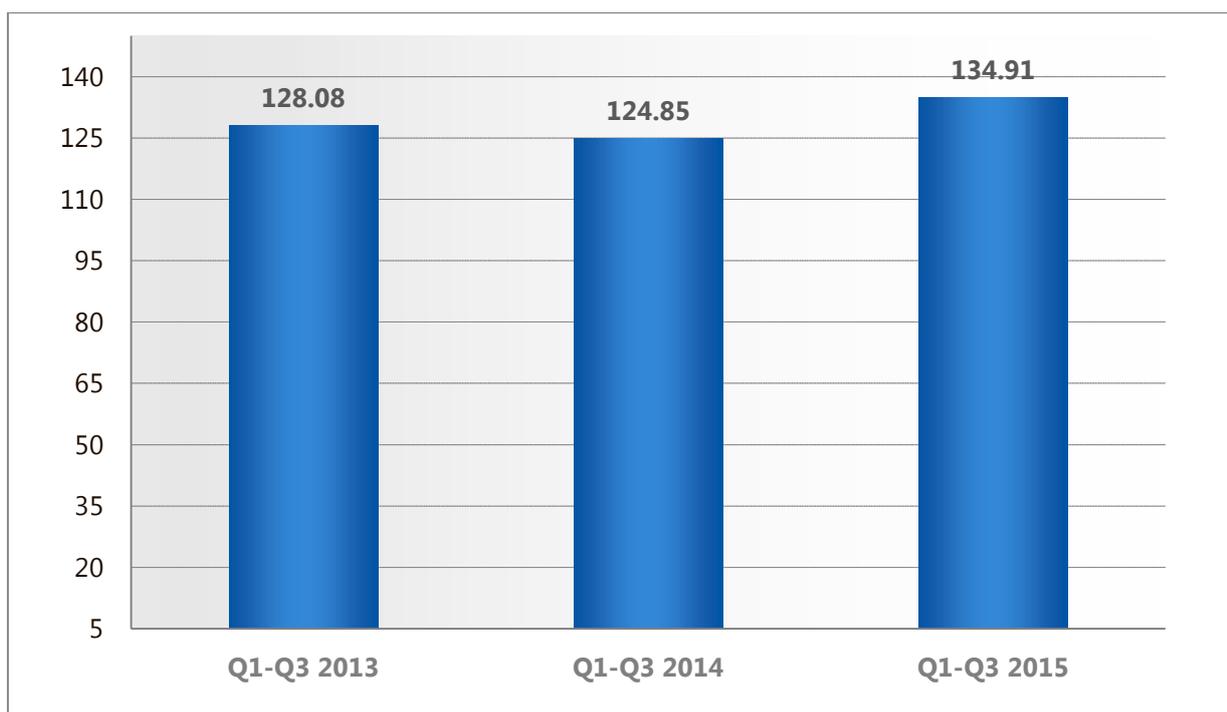


Information about Ventspils nafta (cont'd)

Key figures

	9M/2013	9M/2014	9M/2015
Turnover (million EUR)	128.08	124.85	134.91
Net (loss)/profit (million EUR)	(7.68)	7.72	26.89
Gross profit before depreciation (million EUR)	55.33	49.33	57.79
% of turnover	43.2%	39.5%	42.8%
EBITDA (million EUR)	45.67	44.05	49.64
% of turnover	35.7%	35.3%	36.8%
EBIT (million EUR)	21.38	28.19	31.63
% of turnover	16.7%	22.6%	23.4%
Return on Assets (%)	(0.9%)	1.1%	3.9%
Return on Equity (%)	(1.33%)	1.50%	5.6%
EPS attributable to owners of the parent (EUR)	(0.03)	0.05	0.19
Liquidity ratio	2.17	4.00	4.03

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 September 2015)

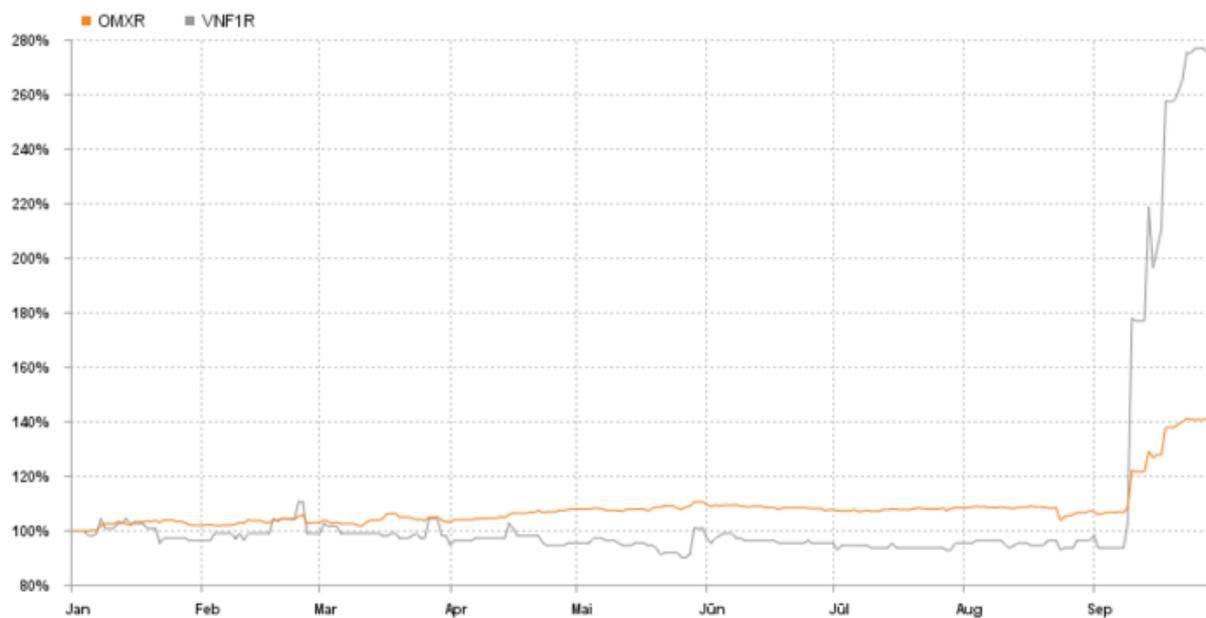
Open	1.130 EUR
Max	3.140 EUR
Min	0.980 EUR
Last	3.120 EUR
Average price	1.259 EUR
Change	176.11%
Deals	925
No of shares traded	428 324
Turnover	948 632.52 EUR
Capitalisation on 30.09.2015	325 976 099.28 EUR

Securities trading history, EUR

Price	2011	2012	2013	2014	Q1-Q3/2015
Open, EUR	2.062	1.707	1.522	1.423	1.130
High, EUR	2.104	1.791	1.665	1.500	3.140
Low, EUR	1.441	1.423	1.295	0.954	0.980
Last, EUR	1.707	1.522	1.423	1.130	3.120
Traded volume	1 632 287	1 222 348	305 600	95 771	428 324
Turnover, million EUR	3.30	2.33	0.44	0.11	0.95
Capitalisation, million EUR	178.39	159.07	148.66	118.06	325.98

Information on shares (cont'd)

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



Indekss	01.01.2015	30.09.2015	+/--%
— OMX Riga	408,03	571,39	40,04 ↑
— VNF1R	1,130 EUR	3,120 EUR	176,11 ↑

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

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 25 November 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
17/10/2013	29/09/2015	Rudolf Meroni	Member of the Council
17/10/2013	29/09/2015	David Guy Anstis	Member of the Council
17/10/2013	29/09/2015	Jānis Berķis	Member of the Council
17/10/2013	29/09/2015	Nauris Berķis	Member of the Council
25/07/2012	05/10/2015	Ivars Bērziņš	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 Strategy and Business Development of VTTI B.V. 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.

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 25 November 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 September 2015, changes in shareholders' equity, cash flows and the results of the Group for the 9 month period ended 30 September 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, 25 November 2015

Management Report

Dear shareholders,

Ventspils nafta and its subsidiaries (Group)

The financial results of Ventspils nafta and its subsidiaries ("the Group") for 9M 2015 were as follows:

- Net profit of 26.89 million EUR (9M/2014: 7.72 million EUR);
- Consolidated income rose by 8.1% to 134.91 million EUR (9M/2014: 124.85 million EUR);
- Gross profit increased by 18.8% to 39.77 million EUR (9M/2014: 33.47 million EUR);
- Consolidated administrative costs fell by 0.26 million EUR to 8.13 million EUR (9M/2014: 8.39 million EUR).

The consolidated results were impacted by the following:

- Profits rose mainly due to the improved financial performance of JSC Latvian Shipping Company Group compared to similar period last year and favourable foreign exchange movements. Impairments to the LSC fleet fell to 2.20 million EUR, down from 24.08 million EUR in 9M 2014.
- LASCO Investment Ltd. – subsidiary of JSC Latvian Shipping Company was returned to solvency, enabling the future disposals of property owned by this company, but triggering an initial loss arising from the reconsolidation of LASCO Investment Ltd and its subsidiaries on the JSC Latvian Shipping Group's level in the amount of 13.62 million USD.

Further details on the performance of Group companies are detailed below.

Ventspils Nafta (VN)

- VN, the holding company, made a net profit of 5.43 million EUR in 9M 2015 (9M/2014: 6.87 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 (9M/2014: dividend income was 6.37 million EUR);
- During the first nine months of 2015, foreign exchange movements resulted in a loss of 1.44 million EUR;
- Net interest income in 9M 2015 was 1.11 million EUR (9M/2014: 1.03 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 2.14 million EUR to 62.09 million EUR (9M/2014: 59.95 million EUR);
- Gross profit rose by 0.89 million EUR to 13.63 million EUR (9M/2014: 12.74 million EUR);
- Net profit increased to 11.32 million EUR in 9M 2015 (9M/2014: 10.29 million EUR);
- In 9M 2015, the total throughput reached 7.4 million tons (9M/2014: 8.5 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 18% to 3.85 million tons (9M/2014: 4.68 million tons);
- In 9M/2015 revenue was 11.15 million EUR (9M/2014: 13.56 million EUR);
- Gross profits fell by 2.05 million EUR to 3.64 million EUR (9M/2014: 5.69 million EUR);
- The net result for the reporting period was a profit of 6.16 million EUR (9M/2014: 8.04 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 9M/2015 was influenced by net profit from exchange rate fluctuations to the amount of 7.4 million EUR, for 9M/2014 the net result was affected by net profit from exchange rate fluctuations to the amount of 3.86 million 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 was 27.5 million EUR. There were no changes in the shareholding structure.

Management Report (cont'd)

Latvian Shipping Company (LSC)

- Latvian Shipping Company ("LSC") and its subsidiaries ("LSC Group") recorded a loss of 1.41 million USD (9M/2014: net loss 14.17 million USD) for the first nine months of the year. This was primarily due to a loss arising from the reconsolidation of LASCO Investment Ltd and its subsidiaries of 13.62 million USD;
- Overall, the shipping market performed well in the nine months of 2015. Revenues held up well at 68.93 million USD (9M/2014: 69.71 million USD), with a net voyage result of 61.27 million USD (9M/2014: 57.99 million USD). Strong revenues, coupled with favourable foreign exchange movements, resulted in a net profit before exceptionals of 13.68 million USD (9M/2014: 6.17 million USD). This is despite minor impairments in Q3 of 0.35 million USD in relation to the fleet – bringing the total impairment in respect of the fleet to 2.40 million USD year to date (9M/2014: 32.25 million USD);
- Administrative costs fell significantly to 5.67 million USD (9M/2014 - 7.34 million USD), despite large legal expenses amounting to 1.60 million USD. The strong USD/EURO exchange rate contributed positively to LSC Group results as income is in US dollars, but administrative expenses are predominantly in euros;
- The LSC Group cash flows were positive for the first nine months of 2015, with a net cash increase of 3.24 million USD (9M/2014: 1.75 million USD);
- The fleet operating profit for the nine months of 2015 reached 39.39 million USD which was an improvement on the previous year (9M/2014: 34.96 million USD) due, as previously mentioned, to higher charter rates;
- There was no change in the LSC Group's commercial fleet of sixteen vessels during the reporting period, but the LSC subsidiary LSC Shipmanagement Ltd is managing an additional four third-party tankers, bringing the total to twenty vessels. This number is expected to increase further during the coming months;
- A number of corporate matters were settled during Q3. On July 17, 2015 a series of settlement agreements were signed with a number of individuals, including Former Management Board and Supervisory Council members;
- Following a settlement between the creditors of LASCO Investment Ltd – a subsidiary of LSC, on August 24 the Riga City Vidzeme District Court decided to fully restore LASCO Investment Ltd to solvency. LASCO Investment Ltd is a holding company which primarily invests in and manages real estate. LSC Group intends to sell these real estate assets to help meet its financial obligations and maintain its focus on the core business of shipping;
- After the end of the reporting period, LSC Group sold its indirect interest in JSC Latvijas Naftas tranzīts (LNT) to JSC Ventbunkers. LSC via its subsidiary Skonto nafta Ltd which held a 16% stake in LNT. The value of the transaction was 15.40 million EUR, including the repayment of a loan to the amount of 2.10 million EUR, previously issued to Skonto nafta Ltd by LNT. Prior to this transaction, LSC subsidiary Nafta Invest Ltd acquired 14% of the shares of Skonto nafta Ltd owned by the minority shareholder. Consequently, prior to the transaction with JSC Ventbunkers, it owned 100% of Skonto nafta Ltd. The funds received will be used to repay part of outstanding LSC Groups loans;
- After reporting period one of real estate assets owned by LASCO Investment Ltd. – Ventspils sport hall was sold. The sales process of other properties was initiated, in line with the corporate strategy;
- LSC management intends to propose a material increase in the company's share capital in order to cover shipping debt obligations becoming due in 2016/2017. Supervisory council and shareholder meeting clearance would be required. The potential timing presently envisaged would be during the first half of calendar 2016 once the audited annual accounts are available.

Management Report (cont'd)

Changes in shareholding structure and the extraordinary meeting of shareholders

- On September 17, 2015 Euromin Holdings (Cyprus) Limited, a major shareholder of VN with 49,98% interest of the total voting capital of VN, announced the acquisition of an additional 45 190 423 shares, equivalent to 43,25% of the total voting capital of VN. By increasing its shareholding above 50%, Euromin Holdings (Cyprus) Limited was obliged to make a mandatory bid for all remaining shares of VN, as stipulated by Nasdaq OMX and FCMC rules. On October 19, 2015, the mandatory bid made by Euromin Holdings (Cyprus) Limited commenced on the basis of resolution No 172 by the Financial and Capital Market Commission of October 15, 2015;
- Based on the request of the shareholder Euromin Holdings (Cyprus) Limited, the extraordinary meeting of shareholders of VN will take place on December 2, 2015, where a decision relating to the delisting of the shares from the regulated market is on the agenda.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board
of *Joint Stock Company Ventspils nafta*
Riga, 25 November 2015

Consolidated income statement

For the period ended 30 September

	2015	2014
	<u>EUR '000</u>	<u>EUR '000</u>
Revenue	134 907	124 850
Cost of sales	<u>(95 133)</u>	<u>(91 381)</u>
Gross profit	39 774	33 469
General and administrative expense	(8 132)	(8 385)
Other operating income	3 274	16 247
Other operating expense	(5 318)	(7 693)
Impairment of other non-financial assets	(2 198)	(24 084)
Consolidation of financial assets, net	778	-
Finance income	6 298	5 389
Finance costs	<u>(6 135)</u>	<u>(5 723)</u>
Profit before tax	28 341	9 220
Corporate income tax	<u>(1 456)</u>	<u>(1 496)</u>
Profit for the period	<u>26 885</u>	<u>7 724</u>
Attributable to:		
Parent company's shareholders	19 914	5 558
Non-controlling interest	<u>6 971</u>	<u>2 166</u>
	<u>26 885</u>	<u>7 724</u>
Profit per share attributable		
to the Parent company's shareholders:	<u>EUR 0,19</u>	<u>EUR 0,05</u>
Profit per share	<u>EUR 0,26</u>	<u>EUR 0,07</u>

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 September

	2015 EUR '000	2014 EUR '000
Profit for the period	26 885	7 724
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
- Exchange differences on translation of foreign operations	10 857	10 000
- Net movement on cash flow hedges	215	271
Other comprehensive income for the period	11 072	10 271
Total comprehensive income for the period	37 957	17 995
Attributable to:		
Parent company's shareholders	26 171	10 687
Non-controlling interests	11 786	7 308
	37 957	17 995

On behalf of the Management Board:

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

Consolidated statement of financial position

	30.09.2015	31.12.2014
	EUR '000	EUR '000
Assets		
Non-current assets		
Intangible assets	15	13
Property, plant and equipment	400 857	388 959
Investment properties	35 489	359
Loans to affiliated companies	67 955	67 955
Other non-current financial assets	1 278	48 762
Total non-current assets	505 594	506 048
Current assets		
Inventories	2 969	11 238
Trade and other receivables	8 886	10 215
Loans to affiliated companies	-	33 434
Short term deposits	72 181	65 938
Other current financial assets	15 906	412
Cash and cash equivalents	83 504	58 034
Total current assets	183 446	179 271
Total assets	689 040	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)

	30.09.2015	31.12.2014
	EUR '000	EUR '000
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	2 297	(3 853)
Cash flow hedge reserve	(177)	(284)
Retained earnings	121 478	129 089
Profit/(loss) for the period	19 914	(7 611)
Equity attributable to equity holders of the parent	352 421	326 250
Non-controlling interest	131 204	150 119
Total equity	483 625	476 369
Non-current liabilities		
Borrowings	151 922	156 205
Trade and other payables	23	-
Deferred tax liability	4 813	1 549
Deferred income	3 084	3 827
Derivative financial instruments	-	119
Total non-current liabilities	159 842	161 700
Current liabilities		
Borrowings	23 119	21 306
Trade and other payables	15 538	17 211
Taxes payable	1 295	3 697
Derivative financial instruments	412	510
Deferred income	2 936	2 439
Provisions	2 273	2 087
Total current liabilities	45 573	47 250
Total liabilities	205 415	208 950
Total equity and liabilities	689 040	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 September

	2015	2014
	EUR'000	EUR'000
Operating activities		
Profit before tax	28 341	9 220
<u>Adjustments for:</u>		
Depreciation and amortisation	18 013	15 861
Change in value of financial instruments	-	(183)
Profit on disposal of non-financial assets	(13)	(131)
Currency translation difference	(1 791)	(2 687)
Gain on consolidation of financial assets, net	(778)	-
Finance income	(1 130)	(1 488)
Finance costs	5 506	5 426
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	766	6 126
Changes in fair value of financial assets	-	(444)
Recognized impairment of the fleet	2 263	24 084
	49 445	41 177
<u>Working capital adjustments:</u>		
Changes in trade and other receivables and prepayments	4 095	(20)
Changes in inventories	8 269	488
Changes in trade and other payables	915	1 065
	62 724	42 710
Corporate income tax paid	(6 055)	(453)
Net cash flows generated from operating activities	56 669	42 257
Investing activities		
Proceeds from sale of non-current assets	176	11 025
Purchase of non-current assets	(8 313)	(3 426)
Proceeds from sale of non-current financial assets	1	-
Net cash flow from consolidation of financial assets	15	-
Investments in Group's subsidiary	(1 706)	-
Grants from ERDF	(633)	-
Increase in short term deposits	(6 243)	(15 654)
Loans received	37 563	-
Interest received	1 644	1 103
Net cash flows generated from/ (used in) investing activities	22 504	(6 952)
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	(18 202)	(23 173)
Interest paid	(4 666)	(4 700)
Prepaid financing expenses	(11)	(198)
Net cash flows used in financing activities	(53 739)	(34 187)
Net increase in cash and cash equivalents	25 434	1 118
Cash and cash equivalents as at 1 January	58 034	51 125
Exchange gain on cash and cash equivalents	36	50
Cash and cash equivalents as at 30 September	83 504	52 293

Consolidated statement of changes in equity

For the period ended 30 September

	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	-	-	-	-	-	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	(2 390)	-	2 390	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	(6 116)	(6 116)
Balances as of 30 September 2014	146 271	60 248	2 390	(6 090)	(310)	141 850	344 359	175 852	520 211
Loss for the period	-	-	-	-	-	(13 169)	(13 169)	(8 533)	(21 702)
Other comprehensive income	-	-	-	2 237	26	-	2 263	2 269	4 532
Total comprehensive income/ (loss)	-	-	-	2 237	26	(13 169)	(10 906)	(6 264)	(17 170)
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	-	-	-	-	-	19 914	19 914	6 971	26 885
Other comprehensive income	-	-	-	6 150	107	-	6 257	4 815	11 072
Total comprehensive income	-	-	-	6 150	107	19 914	26 171	11 786	37 957
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 September 2015	146 271	60 248	2 390	2 297	(177)	141 392	352 421	131 204	483 625

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 Euro (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 30.09.2015 EUR/USD – 1.1204 (average – 1.115569)

ECB (the European Central Bank) rate of exchange as at 30.09.2014 EUR/USD – 1.2701 (average – 1.355894)

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 September

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	62 090	59 953	11 153	13 564	60 902	51 122	-	-	134 145	124 639	-	-	134 145	124 639
Intersegment revenue	-	-	-	-	57	42	53	38	110	80	(110)	(80)	-	-
Voyage costs	-	-	-	-	(6 170)	(8 456)	-	-	(6 170)	(8 456)	-	-	(6 170)	(8 456)
Vessel operating costs	-	-	-	-	(19 699)	(17 052)	-	-	(19 699)	(17 052)	-	-	(19 699)	(17 052)
Cost of sales (vessel operating costs excluding)	(44 146)	(43 034)	(6 916)	(7 001)	(377)	(205)	-	-	(51 439)	(50 240)	1	1	(51 438)	(50 239)
Administrative expenses	(1 402)	(1 357)	(1 117)	(1 104)	(4 877)	(5 179)	(505)	(518)	(7 901)	(8 158)	111	86	(7 790)	(8 072)
Result from disposal of non-financial assets	6	(41)	(33)	21	5	164	-	(13)	(22)	131	-	-	(22)	131
Other revenue	-	-	-	-	700	211	12	-	712	211	-	-	712	211
Depreciation and amortisation	(4 531)	(4 377)	(610)	(888)	(12 818)	(10 587)	(8)	(9)	(17 967)	(15 861)	-	-	(17 967)	(15 861)
Impairment of non-financial assets*	-	-	-	-	(2 198)	(24 084)	-	-	(2 198)	(24 084)	-	-	(2 198)	(24 084)
Interest income	23	124	332	691	252	210	1 280	1 370	1 887	2 395	(760)	(941)	1 127	1 454
Interest expense	-	-	-	-	(6 050)	(5 993)	(170)	(343)	(6 220)	(6 336)	760	941	(5 460)	(5 395)
Net result before tax	12 040	11 268	2 809	5 283	9 727	(19 807)	662	525	25 238	(2 731)	2	7	25 240	(2 724)
Segment assets	109 206	116 400	37 071	99 847	348 813	327 184	197 140	165 747	692 230	709 178	(54 649)	(44 461)	637 581	664 717
Unallocated:														
Assets of subsidiaries not included in segment													270	3 778
Investment properties													35 489	359
Other financial assets													1	-
Available-for-sale financial assets													15 699	16 465
Total consolidated assets													689 040	685 319
Including additions to non-current assets	1 941	3 030	943	2 451	5 870	279	-	5	8 754	5 765	-	-	8 754	5 765

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

For the period ended 30 September

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	25 240	(2 724)
Reconciliation to profit before taxes:		
Administrative expenses	(73)	(89)
Depreciation and amortisation	(46)	-
Other operating (expenses)/ income, net	(2 087)	8 433
Consolidation of net financial assets	778	-
Result from disposal of non-financial assets	35	-
Other financial income/ (expenses), net	4 496	3 607
Adjustments and eliminations	(2)	(7)
PROFIT BEFORE TAXES:	28 341	9 220

Impairment of non-financial assets in the amount of EUR 2 198 thousand relates to the impairment of the fleet recognised in the reporting period of 2015 (2014: EUR 24 084 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 9 month period of 2014 was adjusted accordingly.

Notes to the unaudited condensed 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	9M 2015		30.09.2015	
		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	516	-	67 996	-
Vitol Baltics Ltd	Rental costs/Management and accounting services/ Outstanding balances	29	-	9	-
Transnefteprodukt AK	Interest income/ Outstanding balances	81	-	-	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	72 471	-	817	(1 458)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods/ Outstanding balances	-	(1)	-	(20)
ITANK B.V.	IT services/ Outstanding balances	-	-	-	(208)
VTI TERMINAL Support Services B.V.	Services for work in progress/Outstanding balances	-	-	-	(14)
Ventspils Tank Services SA	Storage of oil/ Outstanding balances	-	(1 965)	-	-
Latvijas Naftas Tranzits JSC	Other services/ Outstanding balances	-	-	10	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(21)	-	(2 100)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	2	-	206	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	267	-	6	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	16 695	-	6	(1 195)
Vitol S.A.	Voyage income/ Outstanding balances	4 156	-	412	-
Vitol S.A.	Selling of crude oil	8 899	-	-	-
Vitol S.A.	Interest income/ Outstanding balances	55	-	-	-
	TOTAL:	103 171	(1 987)	69 462	(4 995)
Including:					
Non-current				67 955	-
Current				1 507	(2 481)
Deferred income				-	(2 514)
	TOTAL:			69 462	(4 995)

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

For the period ended 30 September

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	9M 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	628	-	68 002	-
Vitol Baltics Ltd	Rental costs/Management and accounting services/ Outstanding balances	-	-	69	-
Transnefteprodukt AK	Interest income/ Outstanding balances	187	-	16 961	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	72 799	-	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	-	(31)	-	(2 079)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	4	-	410	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	208	-	5	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	14 275	-	9	(50)
Vitol S.A.	Voyage income/ Outstanding balances	1 930	-	-	-
Vitol S.A.	Interest income/ Outstanding balances	136	-	16 490	-
Vitol Inc	Voyage income/ Outstanding balances	780	-	-	-
TOTAL:		90 947	(31)	104 439	(6 844)
Including:					
Non-current				67 955	-
Current				36 484	(5 257)
Deferred income				-	(1 587)
TOTAL:				104 439	(6 844)