

# Press Release

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**Ventbunkers / Litasco negotiations without result. Will the Latvian government intervene?**

**Rudolf Meroni, chairman of A/S Ventbunkers Supervisory Board, informs that the negotiations between Ventbunkers and the Lukoil subsidiary Litasco did not lead to any result because of the totally unreasonable position of Litasco. Ventbunkers will call for the intervention of the Latvian Government.**

On Friday evening a second meeting between the two teams of A/s Ventbunkers (VBU) headed by Dr. Rudolf Meroni, the Chairman of the Supervisory Board, and Litasco's CEO, Sergei Chaplygin, took place in Zurich, Switzerland. Unfortunately, the meeting did not bring any results, because of the totally unreasonable position of Litasco. VBU had submitted a proposal to Litasco to lift its fuel oil and to effect the payment of a hidden amount of 20

million EUR. Furthermore the parties should try to settle all the unresolved issues and submit to arbitration, with the International Chamber of Commerce, Paris, the issues, which they could not resolve between themselves. By this, the export of fuel oil through Latvia could be normalized within a short time and the huge daily damages would be stopped.

Litasco on the other hand insisted that it would only stop illegally blocking the Ventbunkers Terminal facilities and lift some 120'000 MT of fuel oil, if VBU would accept to pay for all the damage caused by what VBU considers Litasco's breaches of contract. The amount might be in the size of 5-10 million EUR.

The positions of the parties are so contradicting that there is no common ground for an agreement. VBU decided to apply to the Latvian Government to help to resolve what has become a problem of national interest, as the fuel oil export through Latvia is blocked and Russian and Belarusian refineries have to reduce production. Aivars Gobins, the VBU Media Director explains: "Until the beginning of December 2010 the business was running more or less normal with Litasco, if we leave aside the fact that Litasco had made payment of some 20 million EUR to a hidden bank account not disclosed to the legitimate VBU management. In a meeting on December 8, 2010, Litasco requested, that VBU extend their contract for the handling of fuel Oil for 2011. VBU agreed in principal to the extension, but only under the

condition that Litasco would disclose the hidden payments of 20 million EUR. Litasco refused to immediately disclose the 20 million and requested a reduction of the agreed tariff by 30%. This was obviously unacceptable for VBU. In this situation VBU opened a tender with other oil traders and signed a contract for 2011 with one of Litasco's main competitors."

"In mid-December 2010 Litasco sent loading instructions to VBU to load the vessel M/v Celtic Sea specifying which quantities and qualities it wanted to load. It was possible for VBU to fulfill the request. When Litasco heard that VBU had signed with another competitor, it decided not to send the vessel Celtic Sea, waiting outside the port of Ventspils, in order to block the VBU Terminal. At the same time it started raising some bogus quality claims. They are without any merits, because VBU can only load to ships what Litasco had delivered to the VBU Terminal." Said Alvis Haze, Member of the Management Board. As a result some additional 1700 Rail tank cars entered the Latvian territory without the possibility to be unloaded and thereby congesting the whole Latvian Railway System. VBU will approach the Latvian government to intervene. The losses of Latvian Rail (LDZ) are also huge, as the export of fuel oil is blocked through Litasco's willful acts.

JSC Ventbunkers was founded in 1994 and it is operating in the territory of Ventspils Free Port, where the company exploits an

area of 27 ha. Ventbunkers ensures receiving oil products by pipelines and rail and further loading of oil products on tankers from 4 berths.

Products are stored in tank farms comprising 26 tanks with the total capacity of 275 000 m<sup>3</sup>. Clients are provided a full range of services with respect to cargo handling and information.

*Ventbunkers* press service