

**Public Joint Stock Company
Latvian Shipping Company and its Subsidiaries**

Unaudited Condensed Interim Consolidated Financial Statements

for the nine month period ended 30 September 2014



CONTENTS

Supervisory Council	3
Professional experience of the members of the Supervisory Council	4
Management Board.....	6
Professional experience of the members of the Management Board.....	7
Review of the shares	8
Management report.....	10
Statement of Management’s Responsibilities	13
Consolidated income statement	14
Consolidated statement of comprehensive income.....	15
Consolidated statement of financial position.....	16
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	20
Notes to the unaudited condensed consolidated financial statements	21

Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger (from March 1, 2014 until March 26, 2014; from April 3, 2014) Robert Kirkup (until February 28, 2014)
Deputy Chairperson of the Supervisory Council	Rubil Yilmaz (from April 3, 2014) Mikhail Dvorak (until March 26, 2014)
Members of the Supervisory Council:	Simon Boddy Yulia Verschagina (from March 26, 2014) Andrea Schlaepfer (from March 26, 2014) Varvara Maximova (from March 26, 2014) Olga Kurenkova (from March 26, 2014) Giovanni Fagioli (from March 26, 2014) Christophe Theophanis Matsacos (until March 26, 2014) Rubil Yilmaz (until April 1, 2014) Vladimir Egger (until April 1, 2014) Ivars Girgensons Kristo Oidermaa Javed Ahmed (until March 26, 2014) Mārtiņš Kvēps (until March 26, 2014) Oļegs Stepanovs (until March 26, 2014) Artūrs Lēmanis (until March 26, 2014)

Professional experience of the members of the Supervisory Council

- Vladimir Egger* Elected in the position of the Chairman of the Supervisory Council on April 3, 2014. Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Member of JSC Ventpils nafta Supervisory Council since 20 January 2010. The chief Representative of Vitol Services B.V Moscow. Mr. Egger has almost 30 years experience in trade of raw materials. Before joining Vitol he was Managing Director of Lukoil Asia Pacific based in Singapore and Beijing (China). Professional education: Bachelor's Degree in Economics and Business Management Master's Degree. Vladimir Egger does not own shares of JSC Latvian Shipping Company.
- Rubil Yilmaz* Elected in the position of the Deputy Chairman of the Supervisory Council on April 3, 2014. Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Member of JSC Ventpils nafta Supervisory Council since 20 January 2010, Financial Director of Vitol Tank Terminals International (VTTI). Holds the position of member of the Supervisory Council of Ventpils nafta termināls Ltd. Rubel Yilmaz does not own shares of JSC Latvian Shipping Company.
- Simon Boddy* Elected as a member of the Supervisory Council on March 26, 2014 for a 5 year term. Simon Boddy was until the end of 2013 Managing Director of Vitol Dubai in the United Arab Emirates. Previously for 3 years he was Chairman of the Supervisory Council of the JSC Latvian Shipping Company and Chairman of the JSC Ventpils nafta Management Board. He has been working in the petroleum industry for over 30 years. He has worked for energy companies Shell and BP. In 1989, Simon Boddy joined the Vitol Group of companies, where he was involved in crude trading, refinery processing, supply and economic issues; from 2006 until 2008 he was Chief Representative of Vitol's Moscow office. He has been a board member of Vitol Tank Terminals International. He is also an English barrister. Professional education: Academic degree in mathematics from the University of Oxford, Postgraduate Diploma in Law from the College of Law of England and Wales. Simon Boddy does not own shares of JSC Latvian Shipping Company.
- Yulia Verschagina* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. 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. J.Verschagina does not own shares of JSC Latvian Shipping Company.
- Andrea Schlaepfer* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. 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 Schrodgers Investment Management. She has a degree in Philosophy and Modern Languages from the University of Oxford. A.Schlaepfer does not own shares of JSC Latvian Shipping Company.

Professional experience of the members of the Supervisory Council *(continued)*

- Varvara Maximova* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. 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". V.Maximova does not own shares of JSC Latvian Shipping Company.
- Olga Kurenkova* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Olga Kurenkova works at representative office of "Vitol Services B.V., The Netherlands" since 2012. Since 2000 she was employed by representative office of "VNT S.A., Switzerland". O.Kurenkova has graduated Moscow Aircraft Institute (MAI), economical department in 1990. O.Kurenkova does not own shares of JSC Latvian Shipping Company.
- Giovanni Fagioli* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Giovanni Fagioli is the chief executive officer of Finaval S.p.A. and BCC1 S.p.A. He has almost 25 years experience in the shipping sector. He is also Chairman of the private equity fund FH S.p.A. He was previously member of the Board of Directors of SACE (MEF), Meta S.p.A. and Fineco Bank. G.Fagioli does not own shares of JSC Latvian Shipping Company.
- Ivars Girgensons* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. A lawyer in the corporate finance company Confide and SIA Eurokonsults. His main area of specialization is civil law and commercial law. Previously he has managed Creative Consultation Centre Ltd, has worked for Baltijas Ofiss Ltd, Akvašips Ltd, and has been a manager of a branch of JSC SEB banka. I.Girgensons has a bachelor degree in law from University of Latvia and continues master studies in the University Turība. Ivars Girgensons does not own shares of JSC Latvian Shipping Company.
- Kristo Oidermaa* Elected in the position of the member of the Supervisory Council on March 26, 2013 for 5 years term. Kristo Oidermaa has been working in the financial sector since 2006 and currently hold the portfolio manager's position in LHV Asset Management. Previously he was working as a senior analyst in LHV Bank and also filled the analyst roles in Avaron Asset Management and Trigon Capital. K.Oidermaa have a BA Economics degree from the University of Manchester and he is also a CFA charterholder. Kristo Oidermaa does not own shares of JSC Latvian Shipping Company.

Management Board

Chairman of the Management Board

Robert Kirkup (from March 1, 2014)

Simon Richard Blaydes (until February 28, 2014)

Members of the Management Board

Paul Thomas

Christopher James Kernon

Professional experience of the members of the Management Board

- Robert Kirkup** The Chairman of the Management Board since March 1, 2014, elected for 5 years term. Previously he took the position of the Chairman of the Supervisory Council since October 17, 2013. Robert Kirkup is also the Chairman of the JSC Ventspils nafta Management Board since 1 September 2013. R. Kirkup also holds positions in JSC Ventspils nafta subsidiaries - he is the Chairman of the Supervisory Council of LatRosTrans Ltd, 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 Latvian Shipping Company.
- Paul Thomas* Head of Vitol Group's World Wide Shipping, employed by Vitol Group since 1988, director of the shipping company Finaval Spa since 2007, Member of the Management Board of Latvian Shipping Company since July 2010, elected for 5 years term. Paul Thomas does not own shares of JSC Latvian Shipping Company.
- Christopher James Kernon* With more than 20 years experience in the shipping industry. Previously C. Kernon was responsible for shipping and chartering in Asia and Australia for Vitol Group. Since 2003 he is responsible for projects and shipping time charters at Vitol Group. Member of the Management Board of Latvian Shipping Company since February, 2011, elected for 5 years term. Christopher Kernon does not own shares of the JSC Latvian Shipping Company.

Review of the shares

Information on share price/index dynamics for the period from 01.01.2014 until 30.09.2014



Index	01.01.2014	30.09.2014	+/-%
—OMX Baltic Benchmark GI	613,50	577,22	-5,91
—OMX Riga	460,13	424,87	-7,66
—LSC1R	0,56 EUR	0,39 EUR	-31,15

Securities information

ISIN	LV0000101103
Ticker	LSC1R
Market	BALTIC MAIN LIST
Issuer	Latvijas kuģniecība (LSC)
Nominal value	0.30 EUR
Total number of securities	200 000 000
Number of listed securities	200 000 000
Listing date	26.06.2002
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history, EUR

Price	2010	2011	2012	2013	9M/2014
Open	0.583	0.526	0.444	0.359	0.550
High	0.740	0.655	0.492	0.593	0.580
Low	0.484	0.428	0.289	0.327	0.385
Last	0.539	0.438	0.359	0.559	0.385
Average	0.575	0.487	0.406	0.437	0.503
Traded volume	5,058,251	13,526,230	985,943	4,575,982	854,529
Turnover, million	2.89	8.32	0.38	2.15	0.43
Capitalisation, million	107.85	87.65	71.71	111.84	77.00

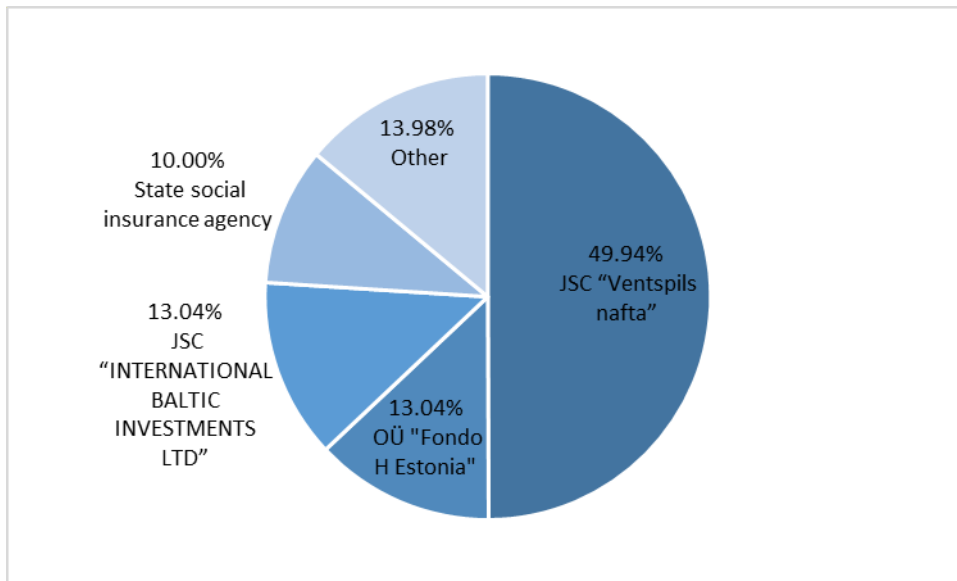
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

Review of the shares *(continued)*

JSC "Latvian Shipping Company" shareholders (over 5%) as of date when the report is released:

Name	Description	Ownership interest
JSC "Ventspils nafta"	Listed company	49.94%
OÜ "Fondo H Estonia"	Private company	13.04%
JSC "INTERNATIONAL BALTIC INVESTMENTS LTD"	Private company	13.04%
State social insurance agency	Government institution	10.00%

JSC "Latvian Shipping Company" shareholders structure as of date when the report is released:



Management report

Dear shareholders and stakeholders,

The interim financial result for Latvian Shipping Company (hereafter – LSC or Company) and its subsidiaries (hereafter – LSC Group or Group) for the nine months of 2014 resulted in a net loss 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 our 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 0.34 million USD as well as a re-evaluation of the investment in AS “Latvijas Naftas tranzīts” in the amount of 8.34 million USD has negatively impacted on the Group results. The Group suffered a loss of 24.64 million USD in the same period last year.

The key financial indicators for the same period for the last three years are as follows (million USD):

	9M 2012	9M 2013	9M 2014
Sales	83.83	78.75	69.71
EBITDA	28.07	36.76	28.59
Profit (loss) before exceptionals	(7.33)	4.43	6.17
Exceptionals (loss/income from non-financial and financial assets)	-	(5.40)	11.92
Exceptionals (impairment of the fleet)	(28.24)	(23.67)	(32.25)
Net loss	(35.57)	(24.64)	(14.17)

During the nine months of 2014 the LSC Group fleet was reduced from seventeen to sixteen vessels. The 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 the 30th September 2014 consisted of sixteen modern tankers with an average age of 7 years.

At the end of the reporting period 88% (fourteen vessels) of the LSC fleet were employed on period business. The average employment period for the portion of the fleet on time charter plus bareboat charter at the end of reporting period was approximately ten months, while excluding the bareboat charters (twelve vessels) – eight months.

The total income from the fleet for the nine months of 2014 was 69.36 million USD which was less than for the same period in the previous year (9M/2013: 78.19 million USD) as a consequence of having fewer vessels employed within the fleet. The LSC Group fleet’s net voyage result for the nine months of 2014 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. The net voyage result is a more comparable indicator of fleet performance as it is calculated by deducting voyage costs from voyage income and shows the income, irrespective of whether the fleet was employed in the spot or time charter market. At the same time the vessel operating profit for the nine months of 2014 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.

As previously advised the majority of the LSC Group’s fleet is employed on time charter with fixed charter rates for all the duration of the chartering period thus the regular cash flow provides some protection against negative market fluctuations.

LSC continues to release average quarterly chartering rates achieved by the LSC Group’s fleet:

Average LSC Group’s Fleet net TCE (time charter equivalent) USD/per day

Fleet	Y 2010	Y 2011	Y 2012	Y 2013	Q1 2014 (A)	Q2 2014 (A)	Q3 2014 (E)
HS (4 vessels)*	10 271	11 216	12 703	13 468	12 885	13 017	13 698
MR (12 vessels)**	11 849	12 882	13 168	14 174	14 421	13 725	13 970
LR1 (1 vessel)***	16 826	13 623	12 086	12 122	12 309	12 309	n/a

*3 HS vessels sold in 2013; remaining number of HS vessels in fleet – 4.

Management report *(continued)*

***From Q3 2013 m/t Latgale and m/t Zemgale removed from above statistics as they are employed on bareboat charter basis, i.e. responsibility for operating expenses and off hire periods resides with the Bareboat Charterer whereas the above figures are inclusive of opex (operating expenses) and any off hire periods.*

****Vessel delivered to new owner in June 2014*

Explanations:

HS = handy size (37 dwt); MR = medium range (52 dwt); LR1 = long range (68 dwt).

Net TCE = a non IFRS measure which is used primarily to compare period to period changes in a shipping company's performance irrespective of changes in mix of charter. It is calculated after deduction of commissions payable to shipbrokers/charterers, port costs, bunker costs and any other applicable voyage related costs from vessel revenue and divided by the number of revenue days in the period. Revenue days are the number of days the vessel is trading less the number of days vessel is carrying out repairs or is in dry dock. The above figures reflect combined earnings of fleet for both time charters and spot market trading. The spot TCE is calculated on a pro-rata basis for the quarter after the voyage has commenced but completed prior the date of this report.

Previous quarter TCE is updated on a regular basis from estimate (E) to actual (A) to reflect finalised TCE when voyages are completed and fully realized.

The administrative costs were higher in the nine months of 2014 as compared with the same period in the previous year (7.34 Million USD in 9M/2014 versus 6.47 million USD in 9M/2013). The increase was exclusively attributable to the legal costs related to the partial settlement in respect of the Antonio Gramsci Corporation court case in the High Court in London.

At the end of the 3rd quarter the LSC Group cash position had improved and the Group had cash and short term deposits with maturity up to twelve months in the amount of 40.29 million USD. The LSC Group cash position at 31st December 2013 was 38.54 million USD.

As of 30th September 2014 the total value of LSC Group assets was 470.31 million USD. The figure at 31st December, 2013 was 519.63 million USD. The income from a partial settlement in respect of the Antonio Gramsci Corporation court case in the High Court in London had a positive impact on group 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, for the purposes of calculation of value in use, from twenty to fifteen years in the light of more stringent major oil company vetting procedures; especially in respect of vessel age. The vessel impairments also reflect further decreases in vessel values as determined by independent ship broking valuations. For the sake of clarity Impairments are non-cash items which do not affect the cash position of the Group and are calculated using the higher of a vessel's fair value less costs of disposal or its value in use. The total value of the LSC Group fleet as of 30th September 2014 was 371.39 million USD.

Similarly the investment in 15.91% of the share capital of AS "Latvijas Naftas tranzīts" via SIA "Skonto nafta" (which belongs 71.43pct to SIA "Nafta invest") and SIA "Nafta Invest" (which belongs 100pct to LSC Group) made 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 audited financial statements for several years, therefore, it's financial situation has been unclear but based on 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.

The total equity value of the Group as of 30th September 2014 was 201.88 million USD (31st of December 2013: 218.06 million USD). In accordance with the decision of the Company's shareholders at the annual general meeting that took place on June 11th, 2014 the Company's share capital as of September 1st, 2014 was reduced by EUR 220 million to EUR 60 million, reducing the nominal value of a bearer share from EUR 1.4 to EUR 0.3. The share capital was reduced to enable LSC shareholders the opportunity to decide on possible distribution of dividends, if circumstances and commitments allow.

Management report (continued)

During the nine months of 2014 the price of LSC shares quoted on the NASDAQ OMX Riga decreased by 31.15%. The OMX Baltic Benchmark GI index in the nine months of 2014 decreased by 5.91%. There were 916 trades of Latvian Shipping Company's shares during the period involving 854 529 shares worth 429 599 EUR which was 36% of the total share turnover and 4% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 30th September 2014 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 77.00 million EUR.

The first nine months of 2014 has been disappointing for the products tanker market. However, as previously stated, having the vast majority of the LSC fleet on time charter has enabled the LSC Group to maintain a steady income stream. The IEA (International Energy Agency) which advises industrialized nations on oil policies continues to trim its projection for growth in global demand for oil for the balance of 2014 and beyond citing weaker than expected demand. The recent sharp drop in the price of crude oil is also indicative of this decrease in global demand. In the medium to long term this could have a negative impact on both earnings and fleet values. Meantime, in spite of this negative outlook, Q4 has proved to be much more encouraging for the products tanker market than was expected with ship owners experiencing better than expected earnings. It is to be hoped that this trend continues for the balance of 2014 and beyond.

As previously stated the future profitability of the LSC Group, and other ship-owners specialising in the product tanker segment, will continue to depend on worldwide economic growth, which currently seems far from certain. The IEA is expecting an increase in oil demand in 2015 as global economic conditions improve but at a lower level than previously predicted. Economic growth drives demand for refined oil and hence impacts on demand for product tankers. On the vessel supply side, the more optimistic economic outlook has resulted in an increase in the number of new medium range product tankers ordered. These new product tankers are now being delivered on a regular basis and without the predicted increase in oil demand, may act as a drag on any shipping recovery in our core market segment. Thankfully the orderbook is slowing as shipping investors are now focusing on other shipping market segments. Finally It has been mentioned in previous management reports that the LSC Group fleet is financed by a number of international banks on Libor (London interbank offered rate) related rates and that any future increase in this benchmark rate would have a negative impact on the Group's financial position: the reasoning being that any increase in financing costs could not easily be passed onto our counterparties. However given the current worldwide economic environment it would seem that any increase in LIBOR is some way off.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 12 November 2014

Statement of Management's Responsibilities

The Management Board of JSC "Latvian Shipping Company" prepares condensed consolidated financial statements for each reporting period. These condensed consolidated financial statements give a true and fair view of the state of affairs of the JSC "Latvian Shipping Company" and its subsidiaries (hereafter – the Group) as at 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 current legislation.

For and on behalf of the Management Board

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 12 November 2014

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Consolidated income statement

for the period ended 30 September 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Voyage income	69 364	78 187	51 122	59 379
Income from other services	341	566	253	431
Revenue	69 705	78 753	51 375	59 810
Voyage costs	(11 370)	(10 798)	(8 456)	(8 195)
Cost of sales	(37 387)	(46 181)	(27 720)	(35 067)
Gross profit	20 948	21 774	15 199	16 548
Administrative expenses	(7 344)	(6 470)	(5 392)	(4 905)
Impairment of non-financial assests	(32 247)	(23 669)	(24 084)	(18 177)
Other operating income	21 456	1 502	15 671	810
Other operating expenses	(8 685)	(5 815)	(6 377)	(4 446)
Operating loss	(5 872)	(12 678)	(4 983)	(10 170)
Finance income	328	50	257	38
Finance costs	(8 493)	(11 871)	(6 293)	(9 002)
Loss before tax	(14 037)	(24 499)	(11 019)	(19 134)
Income tax	(130)	(141)	(95)	(107)
Loss for the period	(14 167)	(24 640)	(11 114)	(19 241)
Attributable to:				
Equity holders of the parent	(14 044)	(24 615)	(11 024)	(19 222)
Non-controlling interests	(123)	(25)	(90)	(19)
	(14 167)	(24 640)	(11 114)	(19 241)
Loss per share	US \$ (0.07)	US \$ (0.12)	EUR (0.06)	EUR (0.10)

Consolidated statement of comprehensive income

for the period ended 30 September 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Loss for the period	(14 167)	(24 640)	(11 114)	(19 241)
Other comprehensive income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(2 444)	234	10 000	(2 218)
Net movement on cash flow hedges	429	583	271	459
Other comprehensive income for the period, net of tax	(2 015)	817	10 271	(1 759)
Total comprehensive loss for the period, net of tax	(16 182)	(23 823)	(843)	(21 000)
Attributable to:				
Equity holders of the parent	(15 625)	(23 917)	(753)	(20 981)
Non-controlling interests	(557)	94	(90)	(19)
	(16 182)	(23 823)	(843)	(21 000)

Consolidated statement of financial position

as at 30 September 2014

	30.09.2014. US \$'000	31.12.2013. US \$'000	30.09.2014. EUR'000	31.12.2013. EUR'000
Assets				
Non-current assets				
Intangible assets	23	44	18	31
Fleet	371 388	429 313	292 409	314 591
Property, plant and equipment	2 993	3 279	2 356	2 403
Investment properties	2	1 912	2	1 400
Investment in associates	578	15	455	10
Other non-current financial assets	4 465	4 403	3 515	3 227
Total non-current assets	379 449	438 966	298 755	321 662
Current assets				
Inventories	2 378	3 284	1 872	2 406
Trade and other receivables	5 334	4 976	4 200	3 647
Prepayments	1 083	789	853	579
Other current financial assets <i>including deposits with maturity more than three months</i>	59 422 17 650	35 048 1 971	46 785 13 897	25 684 1 015
Cash and cash equivalents	22 639	36 568	17 825	26 797
Total current assets	90 856	80 665	71 535	59 113
Total assets	470 305	519 631	370 290	380 775

Consolidated statement of financial position *(continued)*

as at 30 September 2014

	30.09.2014. US \$'000	31.12.2013. US \$'000	30.09.2014. EUR'000	31.12.2013. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	362 319	60 000	284 574
Retained earnings/(accumulated deficit)	128 671	(137 388)	102 524	(106 452)
Other components of equity	(9 004)	(13 247)	(8 159)	(23 004)
Equity attributable to equity holders of the parent	196 059	211 684	154 365	155 118
Non-controlling interests	5 821	6 378	4 583	4 673
Total equity	201 880	218 062	158 948	159 791
Non-current liabilities				
Interest bearing loans	196 121	215 591	154 414	157 981
Derivative financial instruments	379	570	299	417
Trade and other payables	29 827	31 986	23 484	23 439
Deferred tax liabilities	110	118	86	87
Total non-current liabilities	226 437	248 265	178 283	181 924
Current liabilities				
Trade and other payables	13 709	13 490	10 793	9 885
Interest bearing loans	25 870	37 077	20 369	27 170
Derivative financial instruments	483	1 010	380	740
Deferred income	1 926	1 727	1 517	1 265
Total current liabilities	41 988	53 304	33 059	39 060
Total equity and liabilities	470 305	519 631	370 290	380 775

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Consolidated statement of changes in equity

for the period ended 30 September 2014

	Attributable to the holders of the parent					Total	Non-controlling interests	Total equity
	Share capital	Reserve of share capital denomination	Retained earnings/ accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve			
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
As at 31 December 2012	362 319	-	(119 279)	(1 890)	(12 481)	228 669	6 223	234 892
Loss for the period	-	-	(24 615)	-	-	(24 615)	(25)	(24 640)
Other comprehensive income/(loss)	-	-	-	583	115	698	119	817
Total comprehensive income/(loss)	-	-	(24 615)	583	115	(23 917)	94	(23 823)
As at 30 September 2013	362 319	-	(143 894)	(1 307)	(12 366)	204 752	6 317	211 069
Profit/(loss) for the period	-	-	6 506	-	-	6 506	(13)	6 493
Other comprehensive income	-	-	-	89	337	426	74	500
Total comprehensive income	-	-	6 506	89	337	6 932	61	6 993
As at 31 December 2013	362 319	-	(137 388)	(1 218)	(12 029)	211 684	6 378	218 062
Loss for the period	-	-	(14 044)	-	-	(14 044)	(123)	(14 167)
Other comprehensive income/(loss)	-	-	-	429	(2 010)	(1 581)	(434)	(2 015)
Total comprehensive income/(loss)	-	-	(14 044)	429	(2 010)	(15 625)	(557)	(16 182)
Decrease of share capital	(280 103)	-	280 103	-	-	-	-	-
Reserve of share capital denomination	(5 824)	5 824	-	-	-	-	-	-
As at 30 September 2014	76 392	5 824	128 671	(789)	(14 039)	196 059	5 821	201 880

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Consolidated statement of changes in equity (continued)

for the period ended 30 September 2014

	Attributable to the holders of the parent						Non-controlling interests	Total equity
	Share capital	Reserve of share capital	Retained earnings/accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000		
As at 31 December 2012	284 574	-	(92 096)	(1 428)	(18 283)	172 767	4 702	177 469
Loss for the period	-	-	(19 222)	-	-	(19 222)	(19)	(19 241)
Other comprehensive income	-	-	-	459	(2 218)	(1 759)	-	(1 759)
Total comprehensive income/(loss)	-	-	(19 222)	459	(2 218)	(20 981)	(19)	(21 000)
As at 30 September 2013	284 574	-	(111 318)	(969)	(20 501)	151 786	4 683	156 469
Profit/(loss) for the period	-	-	4 866	-	-	4 866	(10)	4 856
Other comprehensive income/(loss)	-	-	-	77	(1 611)	(1 534)	-	(1 534)
Total comprehensive income/(loss)	-	-	4 866	77	(1 611)	3 332	(10)	3 322
As at 31 December 2013	284 574	-	(106 452)	(892)	(22 112)	155 118	4 673	159 791
Loss for the period	-	-	(11 024)	-	-	(11 024)	(90)	(11 114)
Other comprehensive income	-	-	-	271	10 000	10 271	-	10 271
Total comprehensive income/(loss)	-	-	(11 024)	271	10 000	(753)	(90)	(843)
Decrease of share capital	(220 000)	-	220 000	-	-	-	-	-
Reserve of share capital denomination	(4 574)	4 574	-	-	-	-	-	-
As at 30 September 2014	60 000	4 574	102 524	(621)	(12 112)	154 365	4 583	158 948

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Consolidated statement of cash flows

for the period ended 30 September 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Operating activities				
Loss before tax	(14 037)	(24 499)	(11 019)	(19 134)
<u>Adjustments for:</u>				
Depreciation and amortisation	14 299	20 372	10 588	15 476
Result on disposal of non-financial assets	(210)	5 400	(164)	4 128
Impairment loss of the fleet	32 247	23 669	24 084	18 177
Other adjustments	(4 894)	10 818	(2 251)	7 968
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	(652)	4 520	(827)	3 432
Changes in inventories	906	1 020	534	774
Changes in trade and other payables	(245)	407	527	309
Net cash flows generated from operating activities	27 414	41 707	21 472	31 130
Net cash flows (used in)/ generated from investing activities	(1 079)	10 346	(749)	7 858
Cash flows before financing activities	26 335	52 053	20 723	38 988
Net cash flows used in financing activities	(40 264)	(42 111)	(29 695)	(31 989)
Net increase in cash and cash equivalents	(13 929)	9 942	(8 972)	6 999
Cash and cash equivalents at the beginning of the period	36 568	26 133	26 797	19 744
Cash and cash equivalents at the end of the period	22 639	36 075	17 825	26 743

Notes to the unaudited condensed consolidated financial statements

1. Accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with and comply with accounting policies applied in preparation of the consolidated financial statements of Latvian Shipping Company and its Subsidiaries for the year ended 31 December 2013, which were prepared in accordance with the International Financial Reporting Standards.

The financial statements are prepared in U.S. dollars which is the functional currency of the primary (shipping) business and Euros (EUR) which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia. Functional currency of non-primary businesses is EUR, which is translated to the functional currency of the primary business as described below.

Monetary assets and liabilities of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange stated at the end of the financial period. Share capital and reserves are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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:

- (a) 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;
- (b) income and expenses for each income statement are translated at average exchange or at the rates prevailing on the transaction dates; and
- (c) 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 consolidated financial statements *(continued)*

2. Segment information

Shipping segment for the period ended 30 September 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Time charter hire income	48 533	55 270	35 646	42 029
Freight income	20 831	22 917	15 476	17 350
Voyage income from external customers	69 364	78 187	51 122	59 379
Voyage costs	(11 370)	(10 798)	(8 456)	(8 195)
Net voyage result	57 994	67 389	42 666	51 184
Vessel operating costs	(23 032)	(25 634)	(17 052)	(19 458)
Vessel operating profit	34 962	41 755	25 614	31 726
Other revenues	341	566	253	431
Costs of sales (Vessel operating costs excluding)	(225)	(431)	(205)	(328)
Administrative expenses	(7 056)	(6 099)	(5 179)	(4 622)
Result from disposal of non-financial assets	209	(5 400)	164	(4 128)
Depreciation and amortisation	(14 298)	(20 371)	(10 587)	(15 476)
Impairment of non-financial assets	(32 247)	(23 669)	(24 084)	(18 177)
Other operating income	856	1 503	649	811
Other operating expenses	-	(416)	-	(319)
Result before financial items	(17 458)	(12 562)	(13 375)	(10 082)
Interest income	281	42	210	32
Interest expense	(8 084)	(11 261)	(5 993)	(8 556)
Finance expenses, net	(345)	(591)	(240)	(432)
Net result before tax	(25 606)	(24 372)	(19 398)	(19 038)
Segment assets	424 882	480 747	334 527	352 283
Including additions to non-current assets	338	1 251	266	941

For management purposes the Group is organised into business units based on their business activities and has one reportable operating segment - *Shipping*. Shipping segment primarily derives its revenues from the handy sized and medium range tankers transportation services mainly on the basis of time charter agreements. Segment's expenses include voyage costs, commissions, vessel operating expenses (including crew expenses and training) and administrative expenses relating to the management of shipping segment.

Notes to the unaudited condensed consolidated financial statements *(continued)*

2. Segment information *(continued)*

Reconciliation of segment results and assets to income statement and statement of financial position for the period ended 30 September 2014

	2014	2013	2014	2013
	US \$'000	US \$'000	EUR'000	EUR'000
Net result before tax for reportable segment	(25 606)	(24 372)	(19 398)	(19 038)
Administrative expenses	(120)	(116)	(89)	(88)
Other operating income	20 050	-	14 607	-
Other operating expenses	(8 344)	-	(6 126)	-
Interest income	47	8	35	6
Interest expenses	(42)	(23)	(31)	(17)
Finance (expenses)/income, net	(22)	4	(17)	3
Profit before tax	(14 037)	(24 499)	(11 019)	(19 134)
	30.09.2014.	31.12.2013.	30.09.2014.	31.12.2013.
Segment assets for reportable segment	424 882	480 747	334 527	352 283
Unallocated:				
Investment properties	2	1 912	2	1 400
Other assets of subsidiaries not included in segment	6 017	6 158	4 737	4 512
Other financial assets	18 554	-	14 608	-
Available-for-sale financial assets	20 850	30 814	16 416	22 580
Total assets	470 305	519 631	370 290	380 775

Notes to the unaudited condensed consolidated financial statements *(continued)*

3. Related party transactions

for the period ended 30 September 2014

	2014		30.09.2014.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue / Outstanding balances	23 030	-	507	(1 083)
Technical management fee and IT services / Outstanding balances	254	-	4	-
Interest income/(expense) / Outstanding balances	5	(809)	520	(31 435)
Real estate rent / Outstanding balances	57	-	8	-
Consulting services / Outstanding balances	-	(35)	-	(4)
Other services / Outstanding balances	30	-	3	-
Total	23 376	(844)	1 042	(32 522)
Including:				
Non-current			-	(29 827)
Current			1 042	(1 612)
Deferred income			-	(1 083)
Total			1 042	(32 522)

	2014		30.09.2014.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	16 985	-	399	(852)
Technical management fee IT services / Outstanding balances	186	-	3	-
Interest income/(expense) / Outstanding balances	4	(598)	409	(24 750)
Real estate rent / Outstanding balances	42	-	6	-
Consulting services / Outstanding balances	-	(26)	-	(3)
Other services / Outstanding balances	22	-	2	-
Total	17 239	(624)	819	(25 605)
Including:				
Non-current			-	(23 484)
Current			819	(1 269)
Deferred income			-	(852)
Total			819	(25 605)

Notes to the unaudited condensed consolidated financial statements *(continued)*

3. Related party transactions *(continued)*

for the period ended 30 September 2013

	2013		31.12.2013.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue / Outstanding balances	27 949	-	327	(1 295)
Technical management fee				
IT services / Outstanding balances	298	-	9	-
Interest income/(expense) / Outstanding balances	4	(666)	553	(33 629)
Consulting services / Outstanding balances	-	(65)	-	(15)
Other services / Outstanding balances	35	-	1	-
Total	28 286	(731)	890	(34 939)
Including:				
Non-current			-	(31 986)
Current			890	(1 658)
Deferred income			-	(1 295)
Total			890	(34 939)

	2013		31.12.2013.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	21 225	-	239	(949)
Technical management fee				
IT services / Outstanding balances	228	-	7	-
Interest income/(expense) / Outstanding balances	3	(505)	406	(24 643)
Consulting services / Outstanding balances	-	(50)	-	(11)
Other services / Outstanding balances	27	-	1	-
Total	21 483	(555)	653	(25 603)
Including:				
Non-current			-	(23 439)
Current			653	(1 215)
Deferred income			-	(949)
Total			653	(25 603)

Notes to the unaudited condensed consolidated financial statements *(continued)*

Contact person with respect to information presented in these financial statements

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Forward-Looking Statements

Matters discussed in the management report may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements. The forward-looking statements in the management report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. In addition to these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for tanker vessel capacity, changes in our operating expenses, including bunker prices, dry-docking and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors. LSC management shall not be liable for the decisions made by third persons based on information provided by LSC management as the forward-looking statements.