

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

Unaudited Condensed Consolidated Financial Statements

for the year ended 31 December 2014



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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 Vereschagina (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 Vereschagina* Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Julia Vereschagina 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.Vereschagina has graduated State University – Higher School of Economics in Moscow. J.Vereschagina 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

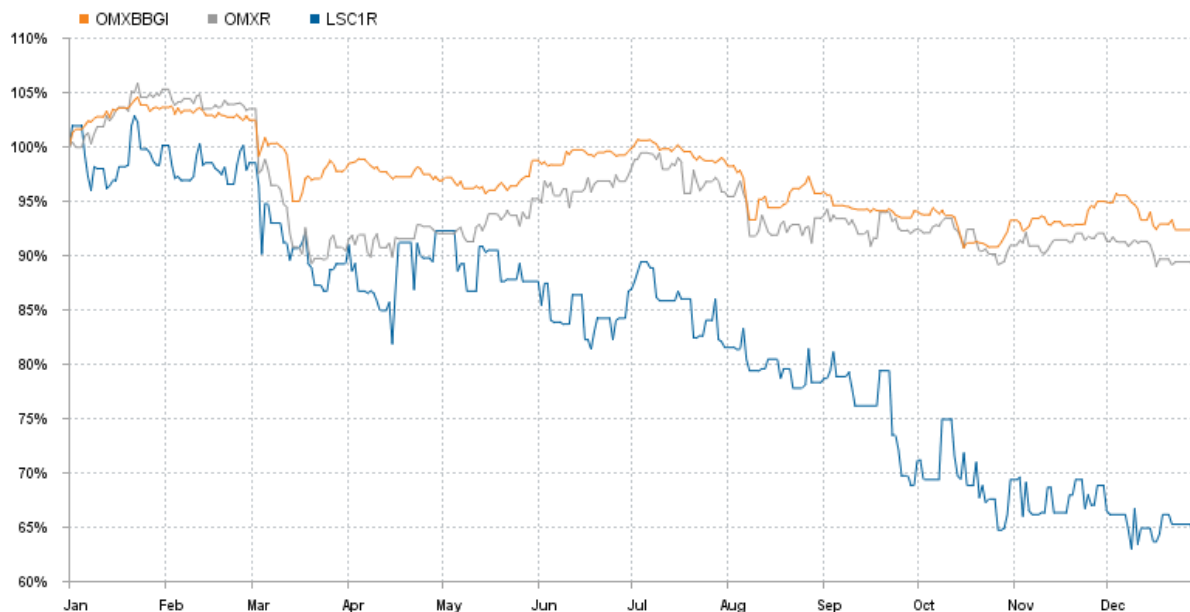
Christopher James Kernon

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 31.12.2014



Index/Equity	01.01.2014	31.12.2014	+/-%
—OMX Baltic Benchmark GI	613.50	566.56	-7.65
—OMX Riga	460.13	408.03	-11.32
—LSC1R	0.559 EUR	0.360 EUR	-35.62

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, OMXBSGI, OMXBSPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history, EUR

Price	2010	2011	2012	2013	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	0.352
Last	0.539	0.438	0.359	0.559	0.360
Average	0.575	0.487	0.406	0.437	0.453
Traded volume	5,058,251	13,526,230	985,943	4,575,982	1,449,529
Turnover, million	2.89	8.32	0.38	2.15	0.66
Capitalisation, million	107.85	87.65	71.71	111.84	72.00

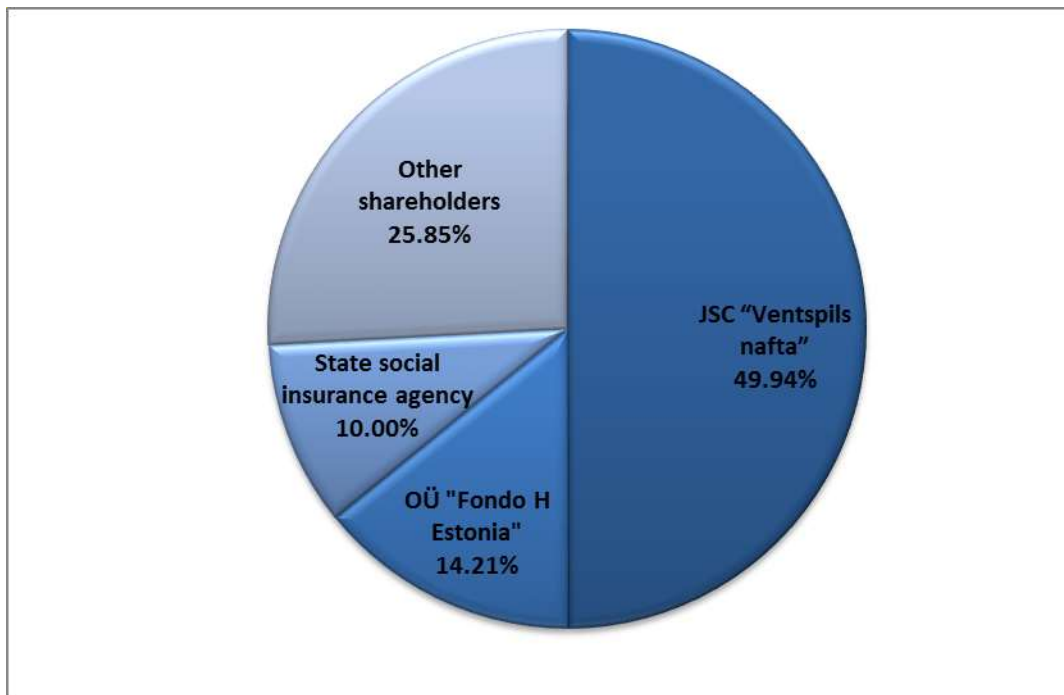
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

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	14.21%
State social insurance agency	Government institution	10.00%

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

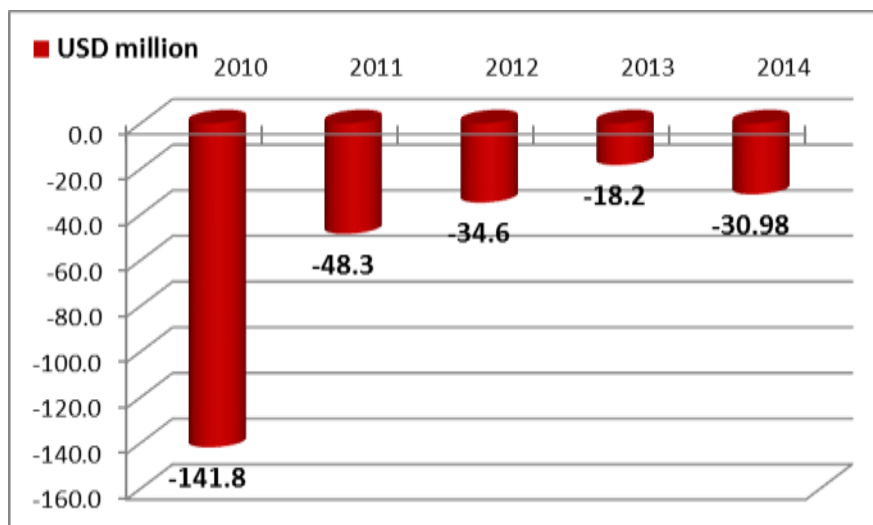


Management report

Dear shareholders and stakeholders,

The unaudited financial result of Latvian Shipping Company (hereafter – LSC or Company) and its subsidiaries (hereafter – LSC Group or Group) for the twelve months of 2014 amounted to a loss of 30.98 million USD predominantly as a consequence of vessel impairments in the amount of 55.25 million USD. The accumulated result for the twelve 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 real estate property located on Jēkaba street, Riga, and revaluation and disposal of the investment in the medical clinic SIA “Via Una”. The other negative factors were 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. The financial result of LSC Group for the fourth quarter of 2014 resulted in a net loss of 16.81 million USD which was mainly attributable to vessel impairments (23.00 million USD). By means of comparison in 2013 the Group suffered losses in the amount of 18.15 million USD with a fourth quarter profit of 6.49 million USD.

LSC Group net loss for the period 01.01.2010. – 31.12.2014.:



Throughout 2014 the LSC Group was able to achieve a positive result from its chartering and other activities achieving a net profit before tax and exceptionals of 12.68 million USD which is 3.68 million USD more than in the previous reporting period even with fewer vessels in the LSC Group’s fleet. The EBITDA margin as a percentage of turnover remained at a similar level to the previous year with an actual EBITDA of 39.58 million USD which was 7.75 million USD lower than the previous year.

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

	2010	2011	2012	2013	2014
Turnover (million USD)	111.2	97.58	115.56	104.21	91.29
Net loss (million USD)	-141.75	-48.27	-34.60	-18.15	-30.98
Gross profit before depreciation (million USD)	35.89	41.58	52.22	54.32	46.57
<i>% of turnover</i>	32.28%	42.61%	45.19%	52.13%	51.01%
EBITDA (million USD)	14.15	26.84	40.99	47.33	39.58
<i>% of turnover</i>	12.72%	27.51%	35.47%	45.42%	43.36%
EBIT (million USD)	-14.4	0.53	12.51	24.43	20.85
<i>% of turnover</i>	-12.95%	0.54%	10.83%	23.44%	22.84%
Profit before tax and exceptionals (million USD)	-42.11	-19.63	-6.21	9.00	12.68
<i>% of turnover</i>	-37.87%	-20.12%	-5.37%	8.64%	13.89%
Return on Assets (%)	-17.20%	-7.20%	-5.70%	-3.22%	-7.07%
Return on Equity (%)	-36.90%	-16.60%	-14.20%	-8.00%	-17.44%
EPS (USD)	-0.71	-0.24	-0.18	-0.09	-0.17
Liquidity ratio (quick)	1.7	2.2	1.5	1.5	1.5
P/E ratio	n/a	n/a	n/a	n/a	n/a

Management report (continued)

During 2014 the LSC Group continued to improve its cash position significantly and as at 31st December 2014 the Group had cash and deposits with maturity up to twelve months in the amount of 45.58 million USD, which is 7.04 million USD more than at the beginning of 2014. This was achieved due to positive cash flow from shipping activities as well as from the sale of non-shipping assets.

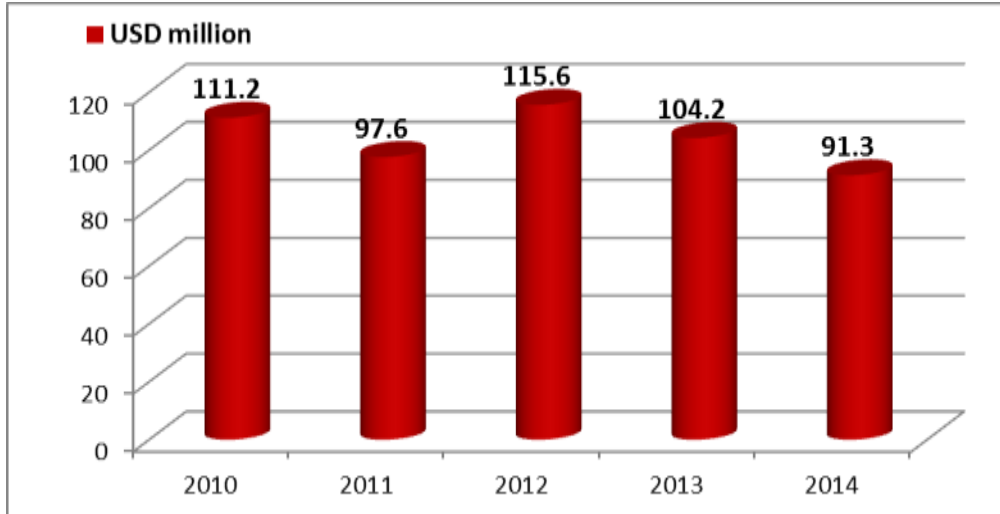
Despite active cost cutting total administrative costs in 2014 were at the same level as the previous year due to additional one off legal costs related to the partial settlement in respect of the Antonio Gramsci Corporation court case in the High Court in London (2014: 8.51 million USD versus 2013: 8.78 million USD).

During 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 Group's commercial fleet, thus the fleet as of the 31th December 2014 consisted of sixteen medium range and handy size tankers with an average age of 7 years.

During the last quarter of 2014 the LSC Group technical management company SIA "LSC Shipmanagement" contracted the technical management of two third party tankers with the possibility to extend this arrangement by a further two tankers in 2015. Apart from improving the company's income stream it is testament to the quality of the LSC Group services and competence of its staff.

At the end of the reporting period all sixteen 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 the reporting period was approximately eight months, excluding the bareboat charters (fourteen vessels) – almost seven months.

LSC Group turnover for the period 01.01.2010. – 31.12.2014.



The LSC Group turnover mainly consisted of income from the fleet as well as a small portion of income generated from third party tanker technical management and real estate rent. The total income of the fleet for 2014 was 90.71 million USD which was 13% less than the previous year (2013: 103.54 million USD) due to the gradual decrease in the number of vessels in the LSC fleet throughout 2013/2014. At the beginning of 2013 there were twenty vessels within the fleet whereas there were sixteen vessels at the end of 2014.

Management report *(continued)*

The LSC Group fleet's net voyage result for 2014 was 77.44 million USD which was lower than the previous year (2013: 88.93 million USD). The net voyage result is a more comparable indicator of fleet performance, rather than total income, as it is calculated by deducting voyage costs from voyage income and shows the Group's result, irrespective of whether the fleet is employed in the spot or time charter market. The fleet operating profit for 2014 before depreciation and dry-dock amortisation was 46.28 million USD; also lower than the previous period (2013: 54.17 million USD) due to the decrease in the number of vessels in the LSC fleet.

LSC continues to release average quarterly TCE (Time charter equivalent) rates achieved by 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 (A)	Q4 2014 (E)	Y2014 (E)
HS (4 vessels)*	10 271	11 216	12 703	13 468	12 885	13 017	13 769	13 317	13 594
MR (12 vessels)**	11 849	12 882	13 168	14 174	14 421	13 725	14 075	14 203	14 130
LR1 (1 vessel) ***	16 826	13 623	12 086	12 122	12 309	12 309	n/a	n/a	n/a

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

**From Q3 2013 m/t *Latgale* and m/t *Zemgale* removed from above statistics as they are employed on bareboat charter basis.

***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 (time charter equivalent) = 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.

Throughout 2014 the majority of the LSC Group fleet were employed in time charter contracts with fixed guaranteed daily charter rates predominantly for periods of up to twelve months. Improving time charter and spot charter rates throughout the year have positively contributed to the Group's financial position both in terms of turnover and profit. Additionally new time charter agreements were negotiated towards the end of the year for twelve month periods at slightly improved TCE levels. The managements commercial strategy throughout 2014 was to employ a large percentage of the fleet in time charter contracts to ensure a steady and transparent revenue stream. This policy will continue always subject to acceptable financial terms and conditions. However there was and will periodically be some exposure to the spot market.

At the 31st December 2014 the total value of the LSC Group assets was 421.98 million USD. The figure at 31st December 2013 was 519.63 million USD. This decrease in Group assets is, as previously explained, mainly attributable to depreciation and impairments of the fleet. At year end the total value of the LSC Group fleet was 344.00 million USD which considerably exceeds the total value of the outstanding loan facility (215.52 million USD). The total equity value of the Group at 31st December 2014 was 163.64 million USD (31st December 2013: 218.06 million USD).

During 2014 the price of LSC shares quoted on the NASDAQ OMX Riga experienced a decrease of 35.62%. The OMX Baltic Benchmark GI index in 2014 increased by 7.65%. There were 1,112 trades of Latvian Shipping Company's shares during 2014 involving 1 449 529 shares worth 656 886 EUR which is 40% of the total share turnover and 5% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31st December 2014 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 72.00 million EUR.

Management report *(continued)*

However although the fourth quarter of 2014 was encouraging there remains an underlying weakness to the shipping market that has been reflected in LSC Group reporting impairments to the fleet throughout 2014. This decrease in the value of the LSC Group's fleet, determined by comparing third party shipping expert valuations with the "value in use" model in collaboration with our auditors, is a reflection of the uncertainties that the general worldwide economic and geo-political climate has created. As mentioned previously it is economic growth that drives demand for refined oil and hence increases demand, or not, for oil tankers. Two other factors have also contributed to this decrease in vessel values throughout the period in question. Firstly on the supply side it has previously been noted that we have seen an increase in the number of new eco design product tankers ordered which have now started to be delivered which might act as a drag on any future market improvement and secondly we continue to see ship owners selling their vessels at distressed levels as they cannot fulfil their debt obligations to their lending banks or to support other loss making areas of their shipping activities.

To summarise, the worldwide economic and geo-political climate will continue to have a major influence, for better or worse, on the future direction of shipping and with particular reference to LSC it will be key to see if the recent dramatic drop in the price of crude oil is a reflection of crude oversupply or more negatively a consequence of a lack of demand for refined products.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 12 February 2015

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 31 December 2014, changes in shareholders' equity, cash flows and the results of the Group for the twelve month period ended 31 December 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 February 2015

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated income statement

for the period ended 31 December 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Voyage income	90 711	103 544	68 147	78 033
Income from other services	577	666	443	504
Revenue	91 288	104 210	68 590	78 537
Voyage costs	(13 270)	(14 612)	(9 990)	(10 972)
Cost of sales	(49 969)	(57 858)	(37 851)	(43 628)
Gross profit	28 049	31 740	20 749	23 937
Administrative expenses	(8 505)	(8 782)	(6 329)	(6 596)
Impairment of non-financial assests	(55 247)	(22 916)	(42 942)	(17 627)
Other operating income	21 908	1 929	16 034	1 123
Other operating expenses	(8 689)	(4 545)	(6 380)	(3 509)
Operating loss	(22 484)	(2 574)	(18 868)	(2 672)
Finance income	2 839	97	2 235	73
Finance costs	(11 013)	(15 531)	(8 323)	(11 680)
Loss before tax	(30 658)	(18 008)	(24 956)	(14 279)
Income tax	(321)	(139)	(253)	(105)
Loss for the period	(30 979)	(18 147)	(25 209)	(14 384)
Attributable to:				
Equity holders of the parent	(30 857)	(18 109)	(25 119)	(14 357)
Non-controlling interests	(122)	(38)	(90)	(27)
	(30 979)	(18 147)	(25 209)	(14 384)
Loss per share	US \$ (0.15)	US \$ (0.09)	EUR (0.13)	EUR (0.07)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of comprehensive income

for the period ended 31 December 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Loss for the period	(30 979)	(18 147)	(25 209)	(14 384)
Other comprehensive income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(3 925)	645	14 480	(3 832)
Net movement on cash flow hedges	527	672	323	536
Other comprehensive income for the period, net of tax	(3 398)	1 317	14 803	(3 296)
Total comprehensive loss for the period, net of tax	(34 377)	(16 830)	(10 406)	(17 680)
Attributable to:				
Equity holders of the parent	(33 564)	(16 985)	(10 316)	(17 653)
Non-controlling interests	(813)	155	(90)	(27)
	(34 377)	(16 830)	(10 406)	(17 680)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of financial position

as at 31 December 2014

	31.12.2014. US \$'000	31.12.2013. US \$'000	31.12.2014. EUR'000	31.12.2013. EUR'000
Assets				
Non-current assets				
Intangible assets	16	44	13	31
Fleet	343 997	429 313	283 335	314 591
Property, plant and equipment	2 814	3 279	2 318	2 403
Investment properties	4	1 912	4	1 400
Investment in associates	-	15	-	10
Other non-current financial assets	24 393	4 403	20 091	3 227
Total non-current assets	371 224	438 966	305 761	321 662
Current assets				
Inventories	1 575	3 284	1 297	2 406
Trade and other receivables	2 312	4 976	1 904	3 647
Prepayments	737	789	607	579
Other current financial assets <i>including deposits with maturity more than three months</i>	18 209 17 650	35 048 1 971	14 998 14 538	25 684 1 444
Cash and cash equivalents	27 925	36 568	23 001	26 797
Total current assets	50 758	80 665	41 807	59 113
Total assets	421 982	519 631	347 568	380 775

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of financial position *(continued)*

as at 31 December 2014

	31.12.2014. US \$'000	31.12.2013. US \$'000	31.12.2014. 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)	111 858	(137 388)	88 511	(106 370)
Other components of equity	(30 180)	(13 247)	(18 317)	(23 087)
Equity attributable to equity holders				
of the parent	158 070	211 684	130 194	155 117
Non-controlling interests	5 565	6 378	4 584	4 674
Total equity	163 635	218 062	134 778	159 791
Non-current liabilities				
Interest bearing loans	189 649	215 591	156 205	157 981
Derivative financial instruments	145	570	119	417
Trade and other payables	29 661	31 986	24 431	23 439
Deferred tax liabilities	109	118	90	87
Total non-current liabilities	219 564	248 265	180 845	181 924
Current liabilities				
Trade and other payables	9 601	13 490	7 908	9 885
Interest bearing loans	25 867	37 077	21 306	27 170
Derivative financial instruments	619	1 010	510	740
Deferred income	2 696	1 727	2 221	1 265
Total current liabilities	38 783	53 304	31 945	39 060
Total equity and liabilities	421 982	519 631	347 568	380 775

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of changes in equity

for the period ended 31 December 2014

	Attributable to the holders of the parent						Non-controlling interests	Total equity	
	Share capital	Reserve of share capital denomination	Retained earnings/ accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Other equity instruments			Total
	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	-	-	(18 109)	-	-	-	(18 109)	(38)	(18 147)
Other comprehensive income	-	-	-	672	452	-	1 124	193	1 317
Total comprehensive (loss)/income	-	-	(18 109)	672	452	-	(16 985)	155	(16 830)
As at 31 December 2013	362 319	-	(137 388)	(1 218)	(12 029)	-	211 684	6 378	218 062
Loss for the period	-	-	(30 857)	-	-	-	(30 857)	(122)	(30 979)
Other comprehensive income/(loss)	-	-	-	527	(3 234)	-	(2 707)	(691)	(3 398)
Total comprehensive (loss)/income	-	-	(30 857)	527	(3 234)	-	(33 564)	(813)	(34 377)
Other equity instruments	-	-	-	-	-	(20 050)	(20 050)	-	(20 050)
Decrease of share capital	(280 103)	-	280 103	-	-	-	-	-	-
Reserve of share capital denomination	(5 824)	5 824	-	-	-	-	-	-	-
As at 31 December 2014	76 392	5 824	111 858	(691)	(15 263)	(20 050)	158 070	5 565	163 635

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of changes in equity (continued)

for the period ended 31 December 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	Other equity instruments			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000			
As at 31 December 2012	284 574	-	(92 013)	(1 428)	(18 363)	-	172 770	4 701	177 471
Loss for the period	-	-	(14 357)	-	-	-	(14 357)	(27)	(14 384)
Other comprehensive income/(loss)	-	-	-	536	(3 832)	-	(3 296)	-	(3 296)
Total comprehensive (loss)/income	-	-	(14 357)	536	(3 832)	-	(17 653)	(27)	(17 680)
As at 31 December 2013	284 574	-	(106 370)	(892)	(22 195)	-	155 117	4 674	159 791
Loss for the period	-	-	(25 119)	-	-	-	(25 119)	(90)	(25 209)
Other comprehensive income	-	-	-	323	14 480	-	14 803	-	14 803
Total comprehensive (loss)/income	-	-	(25 119)	323	14 480	-	(10 316)	(90)	(10 406)
Other equity instruments	-	-	-	-	-	(14 607)	(14 607)	-	(14 607)
Decrease of share capital	(220 000)	-	220 000	-	-	-	-	-	-
Reserve of share capital denomination	(4 574)	4 574	-	-	-	-	-	-	-
As at 31 December 2014	60 000	4 574	88 511	(569)	(7 715)	(14 607)	130 194	4 584	134 778

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of cash flows

for the period ended 31 December 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Operating activities				
Loss before tax	(30 658)	(18 008)	(24 956)	(14 279)
<u>Adjustments for:</u>				
Depreciation and amortisation	18 735	22 894	14 164	17 326
Result on disposal of non-financial assets	(207)	4 091	(162)	3 163
Impairment loss of the fleet	55 247	22 916	42 942	17 627
Other adjustments	(5 031)	14 382	(1 127)	9 996
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	2 716	9 327	1 715	7 288
Changes in inventories	1 709	1 482	1 109	1 195
Changes in trade and other payables	(1 838)	(5 439)	(474)	(4 536)
Net cash flows generated from operating activities	40 673	51 645	33 211	37 780
Net cash flows generated from investing activities	1 130	25 527	949	19 579
Cash flows before financing activities	41 803	77 172	34 160	57 359
Net cash flows used in financing activities	(50 446)	(66 737)	(37 956)	(50 306)
Net (decrease)/increase in cash and cash equivalents	(8 643)	10 435	(3 796)	7 053
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	27 925	36 568	23 001	26 797

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 31.12.2014 EUR/USD – 1.2141 (average – 1.329065)

LB (the Bank of Latvia) rate of exchange as at 31.12.2013 EUR/USD – 1.3647 (average – 1.327463)

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

2. Segment information

Shipping segment for the period ended 31 December 2014

	2014 US \$'000	2013 US \$'000	2014 EUR'000	2013 EUR'000
Time charter hire income	66 044	72 950	49 574	55 051
Freight income	24 667	30 594	18 573	22 982
Voyage income from external customers	90 711	103 544	68 147	78 033
Voyage costs	(13 270)	(14 612)	(9 990)	(10 972)
Net voyage result	77 441	88 932	58 157	67 061
Vessel operating costs	(31 158)	(34 767)	(23 591)	(26 154)
Vessel operating profit	46 283	54 165	34 566	40 907
Other revenues	577	666	443	504
Costs of sales (Vessel operating costs excluding)	(292)	(514)	(259)	(388)
Administrative expenses	(8 133)	(8 308)	(6 048)	(6 237)
Result from disposal of non-financial assets	207	(4 091)	162	(3 163)
Depreciation and amortisation	(18 733)	(22 892)	(14 162)	(17 325)
Impairment of non-financial assets	(55 247)	(22 916)	(42 942)	(17 627)
Other operating income	1 306	1 929	1 011	1 123
Other operating expenses	-	(454)	-	(346)
Result before financial items	(34 032)	(2 415)	(27 229)	(2 552)
Interest income	457	88	348	65
Interest expense	(10 467)	(14 678)	(7 911)	(11 057)
Finance income/(expenses), net	1 922	(818)	1 540	(596)
Net result before tax	(42 120)	(17 823)	(33 252)	(14 140)
Segment assets	397 235	480 747	327 184	352 283
Including additions to non-current assets	339	1 251	279	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.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 31 December 2014

	2014	2013	2014	2013
	US \$'000	US \$'000	EUR'000	EUR'000
Net result before tax for reportable segment	(42 120)	(17 823)	(33 252)	(14 140)
Administrative expenses	(158)	(159)	(120)	(120)
Other operating income	20 050	-	14 607	-
Other operating expenses	(8 344)	-	(6 126)	-
Interest income	6	9	5	7
Interest expenses	(56)	(41)	(42)	(30)
Finance (expenses)/income, net	(36)	6	(28)	4
Loss before tax	(30 658)	(18 008)	(24 956)	(14 279)
	31.12.2014.	31.12.2013.	31.12.2014.	31.12.2013.
Segment assets for reportable segment	397 235	480 747	327 184	352 283
Unallocated:				
Investment properties	4	1 912	4	1 400
Other assets of subsidiaries not included in segment	4 753	6 158	3 915	4 512
Available-for-sale financial assets	19 990	30 814	16 465	22 580
Total assets	421 982	519 631	347 568	380 775

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

3. Related party transactions

for the period ended 31 December 2014

	2014		31.12.2014.	
	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	30 088	-	11	(61)
Technical management fee and IT services / Outstanding balances	339	-	4	-
Interest income/(expense) / Outstanding balances	6	(1 052)	498	(29 660)
Real estate rent / Outstanding balances	163	-	102	-
Consulting services / Outstanding balances	-	(14)	-	(3)
Other services / Outstanding balances	39	-	2	-
Total	30 635	(1 066)	617	(29 724)

Including:

Non-current	-	(29 660)
Current	617	(3)
Deferred income	-	(61)
Total	617	(29 724)

	2014		31.12.2014.	
	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	22 638	-	9	(50)
Technical management fee IT services / Outstanding balances	256	-	3	-
Interest income/(expense) / Outstanding balances	5	(799)	410	(24 430)
Real estate rent / Outstanding balances	122	-	84	-
Consulting services / Outstanding balances	-	(10)	-	(3)
Other services / Outstanding balances	29	-	2	-
Total	23 050	(809)	508	(24 483)

Including:

Non-current	-	(24 430)
Current	508	(3)
Deferred income	-	(50)
Total	508	(24 483)

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

3. Related party transactions *(continued)*

for the period ended 31 December 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	36 212	-	327	(1 295)
Technical management fee				
IT services / Outstanding balances	397	-	9	-
Interest income/(expense) / Outstanding balances	6	(930)	553	(33 629)
Consulting services / Outstanding balances	-	(77)	-	(15)
Other services / Outstanding balances	41	-	1	-
Total	36 656	(1 007)	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	27 278	-	239	(949)
Technical management fee				
IT services / Outstanding balances	300	-	7	-
Interest income/(expense) / Outstanding balances	4	(699)	406	(24 643)
Consulting services / Outstanding balances	-	(58)	-	(11)
Other services / Outstanding balances	31	-	1	-
Total	27 613	(757)	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.