

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

Unaudited Condensed Consolidated Financial Statements

for the year ended 31 December 2013



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Supervisory Council

Chairman of the Council

Robert Kirkup (from October 23, 2013)
Vladimir Egger (from September 1, 2013 until October 17, 2013)
Simon Boddy (until August 31, 2013)

Deputy Chairperson of the Council

Mikhail Dvorak (until October 17, 2013 and from October 23, 2013)

Members of the Council:

Christophe Theophanis Matsacos
Rubil Yilmaz
Vladimir Egger (until August 31, 2013 and from October 17, 2013)
Javed Ahmed
Mark Morrell Ware (until October 17, 2013)
Jaakko Sakari Mikael Salmelin (until October 17, 2013)
Ivars Girgensons
Mārtiņš Kvēps
Oļegs Stepanovs
Serguei Choutov (until October 17, 2013)
Simon Boddy (from September 1, 2013)
Kristo Oidermaa (from October 17, 2013)
Artūrs Lēmanis (from October 17, 2013)
Robert Kirkup (from October 17, 2013 until October 23, 2013)
Mikhail Dvorak (from October 17, 2013 until October 23, 2013)

Professional experience of the members of the Supervisory Council

- Robert Kirkup* Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Robert Kirkup is 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 Councils of LatRosTrans Ltd, as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd. He has worked in the oil and sugar business for more than 17 years. In 1996 he joined the Vitol Group and has held several positions in trading. Since July 2006 he has been appointed as the Global Head of Sugar at Vitol S.A. In addition he was a member of the World Sugar Committee for the ICE No11 Raw Sugar Futures Contract and still is a member of the Council of the Sugar Association of London, where he is an Arbitrator. Professional education: BA Honours Degree in Business. Mr. Robert Kirkup does not own any shares of JSC Latvian Shipping Company.
- Mikhail Dvorak* Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Deputy Chairman of the JSC Ventspils nafta Supervisory Council since 20 January 2010. The Vitol Group's Financial Controller, Financial Director in the Group's companies in the CIS countries, Georgia and the Baltic States. In 2010 was elected member of LatRosTrans Ltd Supervisory Council on behalf of JSC Ventspils nafta. Mikhail Dvorak does not own shares of JSC Latvian Shipping Company.
- Simon Boddy* Elected as a member of the Supervisory Council on October 17, 2013 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 Ventspils 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.
- Christophe Theophanis Matsacos* Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 17 July 2010. Joined the Vitol financial group in 2008. He is working in Vitol's representation office in Moscow and is responsible for business development in Russia and former CIS countries. Before working for Vitol, K.T.Matsacos has gained experience in the banking sector, working for VTB Europe (London) (previously – Moscow Narodny Bank) where he was responsible for oil business and financial area in Russia and former CIS countries. Christophe Matsacos does not own shares of JSC Latvian Shipping Company.
- Rubil Yilmaz* Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Member of JSC Ventspils 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 Ventspils nafta termināls Ltd. Rubil Yilmaz does not own shares of JSC Latvian Shipping Company.

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<i>Vladimir Egger</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Member of JSC Ventspils 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.
<i>Javed Ahmed</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010. At the moment the Head of the Vitol Group's purchasing and investment division; Management Board member of Vitol Tank Terminals International Group and Management Board member of Blue Knight Energy Partners. Professional education: Doctor of Legal Science and Business Management Master's Degree from the University of Harvard, Bachelor's Degree from Yale University. Javed Ahmed does not own shares of JSC Latvian Shipping Company.
<i>Kristo Oidermaa</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Kristo Oidermaa been working in the financial sector since 2006 and currently holds 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 has 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.
<i>Ivars Girgensons</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 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.
<i>Mārtiņš Kvēps</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Sworn attorney since 1999, Deputy Chairman of the Supervisory Council of JSC Ventbunkers from 2006 until 2010, Chairman of the Supervisory Council of JSC Latvijas naftas tranzīts from 2007 until 2010. Mārtiņš Kvēps does not own shares of JSC Latvian Shipping Company.
<i>Oļegs Stepanovs</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. Doctor of Economic Sciences, Vice-president of the Baltic Association – Transport and Logistics from 2006 until 2011, Chairman of the Supervisory Board of JSC Ventspils Commercial Port from 2009 until 2010, Member of the Supervisory Council of JSC Ventspils Nafta from 2010 until 2011, Chairman of the Supervisory Council of JSC SS&F Group since 2008, Member of the Supervisory Council of JSC Baltic Coal Terminal since 2009. Oļegs Stepanovs does not own shares of JSC Latvian Shipping Company.
<i>Artūrs Lēmanis</i>	Elected in the position of the member of the Supervisory Council on October 17, 2013 for 5 years term. In 2009 joined Elura Shipping as a partner, a company doing commercial operation of chartered in product tankers and acting as a tanker/lpg broker. Spent almost 12 years in JSC Latvian Shipping Company as operator, demurrage analyst, chartering of CPP and DPP tonnage and projects before joining Elura Shipping. Has a seagoing experience, last position - safety officer on board LPG carrier under Norwegian ownership and management before joining LSC as a post-fixtured operator. He has graduated Latvian Maritime Academy in 1995 (bachelor degree in engineering and maritime transport), Artūrs Lēmanis does not own shares of JSC Latvian Shipping Company.

Management Board

Chairman of the Management Board

Simon Richard Blaydes

Members of the Management Board

Paul Thomas

Christopher James Kernon

Professional experience of the members of the Management Board

- Simon Richard Blaydes* Member of the Management Board of Latvian Shipping Company since 1 June 2011, elected for 5 years term, Chairman of the Management Board since 15 November 2011. Previously from 2009 until 2010 CFO of the Arawak Group of companies. Before that he was a partner in the transaction support departments of Ernst & Young's Energy practices in Beijing, London and Kazakhstan. Mr. Simon Blaydes is a chartered accountant and an associate of the ICAEW who trained with Price Waterhouse (now PwC) working for them in the UK and Russia. Simon Blaydes does not own 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 01.01.2013 until 31.12.2013



Index/Equity	01.01.2013	31.12.2013	+/-%
—OMX Baltic Benchmark GI	546.98	613.50	12.16
—OMX Riga	395.91	460.13	16.22
—LSC1R	0.25 LVL	0.39 LVL	55,95

Securities information

ISIN	LV0000101103
Ticker	LSC1R
Market	BALTIC MAIN LIST
Issuer	Latvijas kuģniecība (LSC)
Nominal value	1.00 LVL
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, OMXBGGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history, LVL

Price	2009	2010	2011	2012	2013
Open	0.660	0.410	0.370	0.312	0.252
High	0.690	0.520	0.460	0.346	0.417
Low	0.360	0.340	0.301	0.203	0.230
Last	0.400	0.379	0.308	0.252	0.393
Average	0.487	0.404	0.342	0.285	0.307
Traded volume	3,961,245	5,058,251	13,526,230	985,943	4,575,982
Turnover, million	1.91	2.03	5.85	0.27	1.51
Capitalisation, million	80.00	75.80	61.60	50.40	78.60

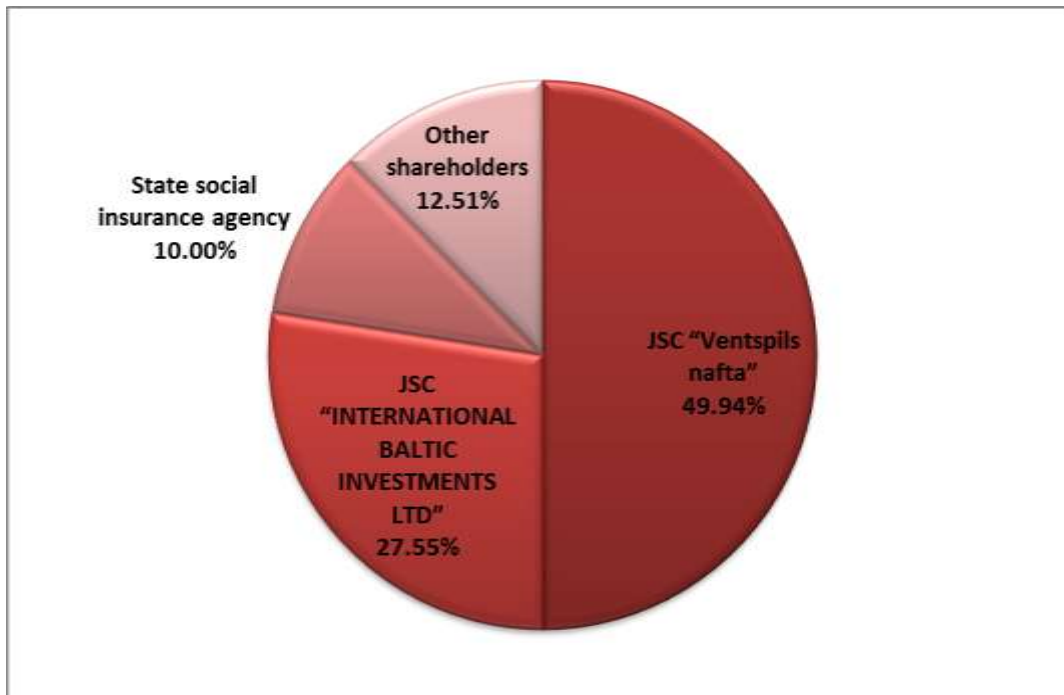
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

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Company's shareholders (over 5%) as of 31.12.2013

Name	Description	Ownership interest
JSC "Ventspils nafta"	Listed company	49.94%
JSC "INTERNATIONAL BALTIC INVESTMENTS LTD"	Private company	27.55%
State social insurance agency	Government institution	10.00%

Company's shareholder structure as of 31.12.2013



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 fourth quarter of 2013 resulted in a net profit of 6.50 million USD. This positive result was mainly due to recalculation of depreciation attributable to 2013, a slight improvement in earnings, decrease in administrative costs and the successful sales of m/t “Kuldīga” and m/t “Kolka” in Q4 which generated a 1.31 million USD profit. This is the second consecutive quarter where the Group has been profitable. The net result for the twelve months of 2013 amounted to a loss of 18.12 million USD mainly as a consequence of vessel impairments in the amount of 22.92 million USD. By comparison in 2012 the company suffered losses in the amount of 34.60 million USD; the fourth quarter 2012 result was a profit of 0.97 million USD.

Throughout 2013 EBITDA continued to increase and reached 47.33 million USD which was an improvement of 6.34 million USD when compared with the previous year.

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

	2011	2012	2013
Sales	97.58	115.56	104.21
EBITDA	26.84	40.99	47.33
Profit (loss) before sale of non-financial assets and exceptionals	(20.38)	(6.36)	8.89
Loss from sale of non-financial assets	(0.45)	-	(4.09)
Exceptionals (Fleet impairment)	(27.44)	(28.24)	(22.92)
Net loss	(48.27)	(34.60)	(18.12)

During 2013 the LSC Group improved its cash position significantly and as at 31st December 2013 the Group had cash and short-term deposits in the amount of 37.17 million USD, which is 11.04 million USD more than at the beginning of 2013. The cash position of the Group has increased due to improved earnings, reduction in administrative costs and sale of m/t “Kolka”, m/t “Kaltene” and m/t “Kuldīga”. Towards the end of the year, the LSC Group successfully restructured the m/t “Rīga” sale- leaseback- repurchase agreement originally concluded in 2009 by the previous management thereby limiting further losses.

As mentioned previously the substantial reduction in administrative costs continued throughout 2013 with total savings for 2013 as compared with 2012 in the amount of 2.21 million USD or 20% (2013: 8.78 million USD versus 2012: 10.99 million USD).

At the end of the year the LSC Group fleet consisted of 17 tankers, which all are owned by the LSC Group. The average age of the fleet was 5.9 years.

The total income of the fleet for 2013 was 103.54 million USD which was 10% less than the previous year (twelve months of 2012: 114.61 million USD). The LSC Group fleet’s net voyage result for 2013 was 88.93 million USD which was a slight improvement when compared with the previous year (twelve months of 2012: 88.33 million USD) despite the fact that the number of vessels within the fleet has declined. 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 2013 before depreciation and dry-dock amortisation was 54.17 million USD; also a slight improvement on the previous period (twelve months of 2012: 51.39 million USD).

Management report *(continued)*

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	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Y2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	Y2013
HS (7 vessels)*	13 003	12 131	12 776	13 239	12 703	12 408	13 661	14 291	14 844	13 549
MR (12 vessels)**	12 605	12 419	13 064	13 904	13 168	13 718	13 668	13 563	13 656	14 162
LR1 (1 vessel)	13 163	11 782	11 700	11 700	12 086	11 700	12 162	12 309	12 309	12 122

*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.

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.

Throughout 2013 the majority of the LSC Group fleet was 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 affected the Group's financial position. Additionally new time charter agreements have been negotiated throughout the year for twelve month periods stretching into 2014 at improved TCE levels. The current strategy of the management is to continue to employ a large percentage of the fleet in time charter contracts to ensure a steady revenue stream however there will continue to be some exposure to the spot market.

At 31 December 2013 the total value of the LSC Group assets was 519.47 million USD. The figure at 31 December 2012 was 605.78 million USD. The decrease is mainly attributable to depreciation, impairment of the fleet and the sale of three "Kolka" type vessels as previously explained. The total value of the LSC Group fleet was 429.31 million USD which considerably exceeds the total value of the outstanding loans used for the fleet financing (252.67 million USD). With the sale of the three "Kolka" type vessels the 75 million USD syndicated lending bank facility has now been closed. The total equity value of the Group at 31 December 2013 was 218.09 million USD (31 December 2012: 234.89 million USD).

During 2013 the price of LSC shares quoted on the NASDAQ OMX Riga experienced growth of 55.95%. The OMX Baltic Benchmark GI index in 2013 increased by 12.16%. There were 1 862 trades of Latvian Shipping Company's shares during 2013 involving 4 575 982 shares worth 1 509 756 LVL which is 61% of total share turnover and 11% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31 December 2013 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 78.60 million LVL.

Throughout 2013 The LSC fleet generated earnings in line with expectations and current market indicators suggest that the petroleum product tanker sector will continue to perform satisfactorily. However, the future profitability of the product tanker segment will depend on worldwide economic growth, which still remains finely balanced. Economic growth drives demand for refined oil and hence impacts on demand for product tankers. On the supply side, the more optimistic economic outlook has resulted in an increase in the number of new product tankers ordered. These future additions to the products tanker fleet, without the anticipated increase in oil demand, may act as a drag on any shipping recovery. Finally, it should be noted that the LSC fleet is mainly financed by a syndicate of international banks on Libor (London interbank offered rate) related rates. Any future increase in this benchmark rate would have a negative impact on the group's financial position.

Management report *(continued)*

Since this is the last financial statement which I will sign as chairman of the Management Board of LSC, I would like to thank all the shareholders, employees and stakeholders who have supported the Company during this challenging period. Now that LSC has managed to resolve many of its financial issues and earnings have improved, I am happy and satisfied in the knowledge that I leave the management of the Company in safe hands and wish it every success with the new and exciting challenges and opportunities that lie ahead.



Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 19 February 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 of 31 December 2013, changes in shareholders' equity, cash flows and the results of the Group for the twelve month period ended 31 December 2013.

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



Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 19 February 2014

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Consolidated income statement

for the period ended 31 December 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Voyage income	103 544	114 607	54 842	62 561	78 033	89 016
Income from other services	666	957	354	522	504	743
Revenue	104 210	115 564	55 196	63 083	78 537	89 759
Voyage costs	(14 612)	(26 275)	(7 711)	(14 301)	(10 972)	(20 348)
Cost of sales	(57 858)	(65 548)	(30 662)	(35 731)	(43 628)	(50 841)
Gross profit	31 740	23 741	16 823	13 051	23 937	18 570
Administrative expenses	(8 777)	(10 988)	(4 634)	(5 994)	(6 594)	(8 529)
Impairment of non-financial assets	(22 916)	(28 238)	(12 388)	(15 279)	(17 627)	(21 740)
Other operating income	1 929	351	789	192	1 123	273
Other operating expenses	(4 545)	(595)	(2 466)	(338)	(3 508)	(481)
Operating loss	(2 569)	(15 729)	(1 876)	(8 368)	(2 669)	(11 907)
Finance income	97	27	51	15	72	21
Finance costs	(15 397)	(18 743)	(8 140)	(10 204)	(11 582)	(14 518)
Loss before tax	(17 869)	(34 445)	(9 965)	(18 557)	(14 179)	(26 404)
Income tax	(249)	(152)	(130)	(93)	(185)	(132)
Loss for the period	(18 118)	(34 597)	(10 095)	(18 650)	(14 364)	(26 536)
Attributable to:						
Equity holders of the parent	(18 080)	(34 557)	(10 075)	(18 628)	(14 335)	(26 506)
Non-controlling interests	(38)	(40)	(20)	(22)	(29)	(30)
	(18 118)	(34 597)	(10 095)	(18 650)	(14 364)	(26 536)
Loss per share	US \$ (0.09)	US \$ (0.17)	LVL(0.05)	LVL (0.09)	EUR (0.07)	EUR (0.13)

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Consolidated statement of comprehensive income

for the period ended 31 December 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Loss for the period	(18 118)	(34 597)	(10 095)	(18 650)	(14 364)	(26 536)
Exchange differences on translation of foreign operations	644	855	(2 692)	(2 784)	(3 829)	(3 963)
Net movement on cash flow hedges	672	799	377	459	536	653
Other comprehensive income/(expenses) for the period, net of tax	1 316	1 654	(2 315)	(2 325)	(3 293)	(3 310)
Total comprehensive loss for the period, net of tax	(16 802)	(32 943)	(12 410)	(20 975)	(17 657)	(29 846)
Attributable to:						
Equity holders of the parent	(16 957)	(33 052)	(12 390)	(20 953)	(17 628)	(29 816)
Non-controlling interests	155	109	(20)	(22)	(29)	(30)
	(16 802)	(32 943)	(12 410)	(20 975)	(17 657)	(29 846)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Consolidated statement of financial position

as at 31 December 2013

	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Assets						
Non-current assets						
Intangible assets	44	37	22	20	31	28
Fleet	429 313	517 823	221 096	274 964	314 591	391 239
Property, plant and equipment	3 279	3 527	1 689	1 873	2 403	2 665
Investment properties	1 912	1 880	984	999	1 400	1 421
Investment in associates	15	14	7	7	10	10
Other non-current financial assets	250	4 403	129	2 338	184	3 327
Total non-current assets	434 813	527 684	223 927	280 201	318 619	398 690
Current assets						
Inventories	3 285	4 766	1 691	2 531	2 406	3 601
Trade and other receivables	11 278	14 125	5 808	7 500	8 264	10 672
Prepayments	742	1 619	383	859	545	1 222
Other current financial assets	32 179	31 450	16 572	16 699	23 580	23 761
Cash and short-term deposits	37 174	26 133	19 145	13 876	27 241	19 744
Total current assets	84 658	78 093	43 599	41 465	62 036	59 000
Total assets	519 471	605 777	267 526	321 666	380 655	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Consolidated statement of financial position (continued)

as at 31 December 2013

	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Equity and liabilities						
Equity						
Share capital	362 319	362 319	200 000	200 000	284 574	284 574
Accumulated deficit	(137 359)	(119 279)	(74 742)	(64 667)	(106 431)	(92 096)
Other components of equity	(13 248)	(14 371)	(16 225)	(13 910)	(23 004)	(19 711)
Equity attributable to equity holders of the parent	211 712	228 669	109 033	121 423	155 139	172 767
Non-controlling interests	6 378	6 223	3 284	3 304	4 673	4 702
Total equity	218 090	234 892	112 317	124 727	159 812	177 469
Non-current liabilities						
Interest bearing loans	215 591	265 965	111 030	141 227	157 981	200 948
Finance lease	-	24 360	-	12 935	-	18 405
Derivative financial instruments	570	1 212	293	643	417	915
Trade and other payables	31 986	28 781	16 473	15 283	23 439	21 746
Deferred tax liabilities	108	105	56	56	80	80
Total non-current liabilities	248 255	320 423	127 852	170 144	181 917	242 094
Current liabilities						
Trade and other payables	13 312	14 628	6 854	7 768	9 752	11 053
Interest bearing loans	37 077	31 206	19 095	16 570	27 170	23 577
Finance lease	-	1 447	-	768	-	1 093
Derivative financial instruments	1 010	756	520	401	740	571
Deferred revenue	1 727	2 425	888	1 288	1 264	1 833
Total current liabilities	53 126	50 462	27 357	26 795	38 926	38 127
Total equity and liabilities	519 471	605 777	267 526	321 666	380 655	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated statement of changes in equity

for the period ended 31 December 2013

	Attributable to the holders of the parent					Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000		
As at 31 December 2011	362 319	(84 722)	(2 689)	(13 187)	261 721	6 114	267 835
Loss of the period	-	(34 557)	-	-	(34 557)	(40)	(34 597)
Other comprehensive income	-	-	799	706	1 505	149	1 654
Total comprehensive income/(expenses)	-	(34 557)	799	706	(33 052)	109	(32 943)
As at 31 December 2012	362 319	(119 279)	(1 890)	(12 481)	228 669	6 223	234 892
Loss of the period	-	(18 080)	-	-	(18 080)	(38)	(18 118)
Other comprehensive income	-	-	672	451	1 123	193	1 316
Total comprehensive income/(expenses)	-	(18 080)	672	451	(16 957)	155	(16 802)
As at 31 December 2013	362 319	(137 359)	(1 218)	(12 030)	211 712	6 378	218 090

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated statement of changes in equity (continued)

for the period ended 31 December 2013

	Attributable to the holders of the parent					Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000		
As at 31 December 2011	200 000	(46 039)	(1 463)	(10 122)	142 376	3 326	145 702
Loss of the period	-	(18 628)	-	-	(18 628)	(22)	(18 650)
Other comprehensive income/(expenses)	-	-	459	(2 784)	(2 325)	-	(2 325)
Total comprehensive income/(expenses)	-	(18 628)	459	(2 784)	(20 953)	(22)	(20 975)
As at 31 December 2012	200 000	(64 667)	(1 004)	(12 906)	121 423	3 304	124 727
Loss of the period	-	(10 075)	-	-	(10 075)	(20)	(10 095)
Other comprehensive income/(expenses)	-	-	377	(2 692)	(2 315)	-	(2 315)
Total comprehensive income/(expenses)	-	(10 075)	377	(2 692)	(12 390)	(20)	(12 410)
As at 31 December 2013	200 000	(74 742)	(627)	(15 598)	109 033	3 284	112 317

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated statement of changes in equity (continued)

for the period ended 31 December 2013

	Attributable to the holders of the parent				Total	Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2011	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315
Loss of the period	-	(26 506)	-	-	(26 506)	(30)	(26 536)
Other comprehensive income/(expenses)	-	-	653	(3 963)	(3 310)	-	(3 310)
Total comprehensive income/(expenses)	-	(26 506)	653	(3 963)	(29 816)	(30)	(29 846)
As at 31 December 2012	284 574	(92 096)	(1 428)	(18 283)	172 767	4 702	177 469
Loss of the period	-	(14 335)	-	-	(14 335)	(29)	(14 364)
Other comprehensive income/(expenses)	-	-	536	(3 829)	(3 293)	-	(3 293)
Total comprehensive income/(expenses)	-	(14 335)	536	(3 829)	(17 628)	(29)	(17 657)
As at 31 December 2013	284 574	(106 431)	(892)	(22 112)	155 139	4 673	159 812

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Consolidated statement of cash flows

for the period ended 31 December 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Operating activities						
Loss before tax	(17 869)	(34 445)	(9 965)	(18 557)	(14 179)	(26 404)
<u>Adjustments for:</u>						
Depreciation and amortisation	22 894	28 478	12 177	15 525	17 326	22 090
Result on disposal of non-financial assets	4 091	1	2 223	1	3 163	1
Impairment of non-financial assets	22 916	28 238	12 388	15 279	17 627	21 740
Other adjustments	12 528	18 172	6 214	9 504	8 840	13 525
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	9 217	(3 006)	4 880	(1 644)	6 944	(2 340)
Changes in inventories	1 481	(962)	784	(526)	1 116	(748)
Changes in trade and other payables	(3 617)	(9 101)	(1 915)	(4 978)	(2 725)	(7 083)
Net cash flows from operating activities	51 641	27 375	26 786	14 604	38 112	20 781
Net cash flows generated from/(used in) investing activities	26 138	(6 743)	13 838	(3 681)	19 690	(5 239)
Cash flows before financing activities	77 779	20 632	40 624	10 923	57 802	15 542
Net cash flows used in financing activities	(66 738)	(21 482)	(35 355)	(11 726)	(50 305)	(16 684)
Net increase/(decrease) in cash and cash equivalents	11 041	(850)	5 269	(803)	7 497	(1 142)
Cash and cash equivalents at 1 January	26 133	26 983	13 876	14 679	19 744	20 886
Cash and cash equivalents at 31 December	37 174	26 133	19 145	13 876	27 241	19 744

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 2012, 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 Latvian Lats (LVL) which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia. Functional currency of non-primary businesses is LVL, 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 prevailing 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 measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

LB rate of exchange as at 31.12.2013 USD/LVL - 0.515 (average – 0.529434)

LB rate of exchange as at 31.12.2012 USD/LVL - 0.531 (average – 0.546937)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.12.2013: 1 EUR = 0.702804 LVL, 31.12.2012: 1 EUR = 0.702804 LVL due to requirements of JSC „NASDAQ OMX Riga”.

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

2. Segment information

Shipping segment for the period ended 31 December 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Time charter hire income	72 950	66 583	38 690	36 535	55 051	51 985
Freight income	30 594	48 024	16 152	26 026	22 982	37 031
Voyage income from external customers	103 544	114 607	54 842	62 561	78 033	89 016
Voyage costs	(14 612)	(26 275)	(7 711)	(14 301)	(10 972)	(20 348)
Net voyage result	88 932	88 332	47 131	48 260	67 061	68 668
Vessel operating costs	(34 767)	(36 947)	(18 381)	(20 139)	(26 154)	(28 655)
Vessel operating profit	54 165	51 385	28 750	28 121	40 907	40 013
Other revenue	666	957	354	522	504	743
Costs of sales (Vessel operating costs excluding)	(514)	(697)	(273)	(380)	(388)	(541)
Administrative expenses	(8 303)	(10 228)	(4 382)	(5 580)	(6 235)	(7 940)
Result from disposal of non-financial assets	(4 091)	(1)	(2 223)	(1)	(3 163)	(1)
Depreciation and amortisation	(22 892)	(28 476)	(12 176)	(15 524)	(17 325)	(22 089)
Impairment of non-financial assets	(22 916)	(28 238)	(12 388)	(15 279)	(17 627)	(21 740)
Other operating income	1 929	351	789	192	1 123	273
Other operating expenses	(454)	(594)	(243)	(337)	(345)	(480)
Result before financial items	(2 410)	(15 541)	(1 792)	(8 266)	(2 549)	(11 762)
Interest income	88	25	46	14	65	20
Interest expense	(14 544)	(17 977)	(7 703)	(9 805)	(10 960)	(13 951)
Finance expenses, net	(818)	(765)	(419)	(397)	(596)	(565)
Net result before tax	(17 684)	(34 258)	(9 868)	(18 454)	(14 040)	(26 258)
Segment assets	480 587	567 514	247 502	301 348	352 163	428 780
Including additions to non-current assets	1 258	4 714	648	2 578	922	3 668

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
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Net result before tax for reportable segment	(17 684)	(34 258)	(9 868)	(18 454)	(14 040)	(26 258)
Administrative expenses	(159)	(188)	(84)	(102)	(120)	(145)
Interest income	9	-	5	-	7	-
Interest expenses	(41)	-	(21)	-	(30)	-
Finance income/(expenses), net	6	1	3	(1)	4	(1)
Loss before tax	(17 869)	(34 445)	(9 965)	(18 557)	(14 179)	(26 404)
	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.
Segment assets for reportable segment	480 587	567 514	247 502	301 348	352 163	428 780
Unallocated:						
Investment properties	1 912	1 880	984	999	1 400	1 422
Other assets of subsidiaries not included in segment	6 158	6 258	3 171	3 323	4 512	4 728
Available-for-sale financial assets	30 814	30 125	15 869	15 996	22 580	22 760
Total assets	519 471	605 777	267 526	321 666	380 655	457 690

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

3. Related party transactions

for the period ended 31 December 2013

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Freight and hire revenue / Outstanding balances	36 055	-	316	(1 295)
Technical management fee and 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	36 499	(1 007)	879	(34 939)
Including:				
Non-current			-	(31 986)
Current			879	(1 658)
Deferred income			-	(1 295)
Total			879	(34 939)

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>
Freight and hire revenue / Outstanding balances	19 088	-	163	(667)
Technical management fee and IT services / Outstanding balances	211	-	5	-
Interest income/(expense) / Outstanding balances	3	(491)	285	(17 319)
Consulting services / Outstanding balances	-	(41)	-	(8)
Other services / Outstanding balances	22	-	1	-
Total	19 324	(532)	454	(17 994)
Including:				
Non-current			-	(16 473)
Current			454	(854)
Deferred income			-	(667)
Total			454	(17 994)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Notes to the unaudited condensed consolidated financial statements (continued)

3. Related party transactions (continued)

for the period ended 31 December 2013

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Freight and hire revenue / Outstanding balances	27 160	-	232	(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	<u>27 495</u>	<u>(757)</u>	<u>646</u>	<u>(25 603)</u>
Including:				
Non-current			-	(23 439)
Current			646	(1 215)
Deferred income			-	(949)
Total			<u>646</u>	<u>(25 603)</u>

for the period ended 31 December 2012

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Freight and hire revenue / Outstanding balances	37 481	-	434	(1 409)
Technical management fee				
IT services / Outstanding balances	360	-	6	-
Interest income/(expense) / Outstanding balances	1	(601)	530	(28 781)
Consulting services / Outstanding balances	-	(218)	-	(58)
Real estate rent / Outstanding balances	-	(138)	-	-
Other services / Outstanding balances	35	(36)	1	-
Total	<u>37 877</u>	<u>(993)</u>	<u>971</u>	<u>(30 248)</u>
Including:				
Non-current			-	(28 781)
Current			971	(58)
Deferred income			-	(1 409)
Total			<u>971</u>	<u>(30 248)</u>

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Notes to the unaudited condensed consolidated financial statements (continued)

3. Related party transactions (continued)

for the period ended 31 December 2012

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>
Freight and hire revenue / Outstanding balances	20 500	-	230	(748)
Technical management fee				
IT services / Outstanding balances	197	-	3	-
Interest income/(expense) / Outstanding balances	1	(334)	282	(15 283)
Consulting services / Outstanding balances	-	(119)	-	(30)
Real estate rent / Outstanding balances	-	(75)	-	-
Other services / Outstanding balances	19	(20)	1	-
Total	<u>20 717</u>	<u>(548)</u>	<u>516</u>	<u>(16 061)</u>
Including:				
Non-current			-	(15 283)
Current			516	(30)
Deferred income			-	(748)
Total			<u>516</u>	<u>(16 061)</u>

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Freight and hire revenue / Outstanding balances	29 169	-	327	(1 064)
Technical management fee				
IT services / Outstanding balances	280	-	4	-
Interest income/(expense) / Outstanding balances	1	(475)	401	(21 746)
Consulting services / Outstanding balances	-	(169)	-	(43)
Real estate rent / Outstanding balances	-	(107)	-	-
Other services / Outstanding balances	27	(28)	1	-
Total	<u>29 477</u>	<u>(779)</u>	<u>733</u>	<u>(22 853)</u>
Including:				
Non-current			-	(21 746)
Current			733	(43)
Deferred income			-	(1 064)
Total			<u>733</u>	<u>(22 853)</u>

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.