



VENTSPILS NAFTA

JSC VENTSPILS NAFTA
**UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**
31 December 2014

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Information about *Ventspils nafta*

Name of the company	<i>Ventspils nafta</i>
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	50003003091 Riga, 9 May 1991 Registered in Commercial Register on 5 August 2004
Legal address	Elizabetes street 1, Riga, Republic of Latvia, LV-1010
Subsidiaries of <i>JSC Ventspils nafta</i>	66% <i>LatRosTrans Ltd.</i> LRDS "Ilūkste", Šēderes pagasts, Ilūkstes novads, LV-5474 51% <i>Ventspils nafta termināls Ltd.</i> Talsu street 75, Ventspils, LV-3602 49.94% <i>JSC Latvian Shipping Company</i> Elizabetes street 1, Riga, LV-1010

Information about Ventspils nafta (cont'd)

About the Company

VN Group (*JSC Ventspils nafta* and its subsidiaries) is one of the largest groups of companies in Latvia. The core companies of the group are the crude oil and petroleum products terminal *Ventspils nafta termināls Ltd*, which is the largest in the Baltics; the largest Latvian-Russian joint venture in the Baltic States *LatRosTrans*, which provides transportation of petroleum products by the main diesel pipeline and which also owns the main pipeline for transport of crude oil; as well as *Latvian Shipping Company*, which owns fleet in the medium size and handy tanker segment.

Mission

The mission of JSC Ventspils nafta, the Group's parent company, is to manage investments in the Group's companies with a view to ensure development and maximise investment returns; to strengthen the position of the Group's companies in the global market; and to make maximum use of the unique resources of *Ventspils nafta* – the experience and professionalism of employees, well developed infrastructure, modern technology and advantageous geographic location – always with a view to increase the economic value of the VN Group.

The mission of the VN Group is to safeguard transport infrastructure for some of the world's most important raw materials and sources of energy – crude oil and petroleum products, by working in an advantageous and significant geographical intersection between Eastern and Western Europe. Combining long-term experience of employees, high quality service, developed infrastructure and continuous modernisation of technologies, we transport and store petroleum products and provide shipping services: with care for growth and for people, while paying the highest attention to our impact on the environment.

Vision

The goal of JSC Ventspils nafta, the Group's parent company, is to increase the value of investments in its managed companies and to ensure maximum operating efficiency; to maintain open dialogue with all shareholders, the Supervisory Council, management and other interested parties; to ensure transparency of the parent company's operations and manage the company in line with best principles of good governance; to plan for any potential risks for the group of companies; and focus on having in place the best long term strategy for the Group.

The goal of the VN Group is to become a Group, which is globally recognised in transportation of petroleum products, storage and shipping; so that the name of *Ventspils nafta* to our partners and the Latvian people signifies reliability, excellent quality of service, high environmental protection standards and an intent to always be a good corporate citizen.

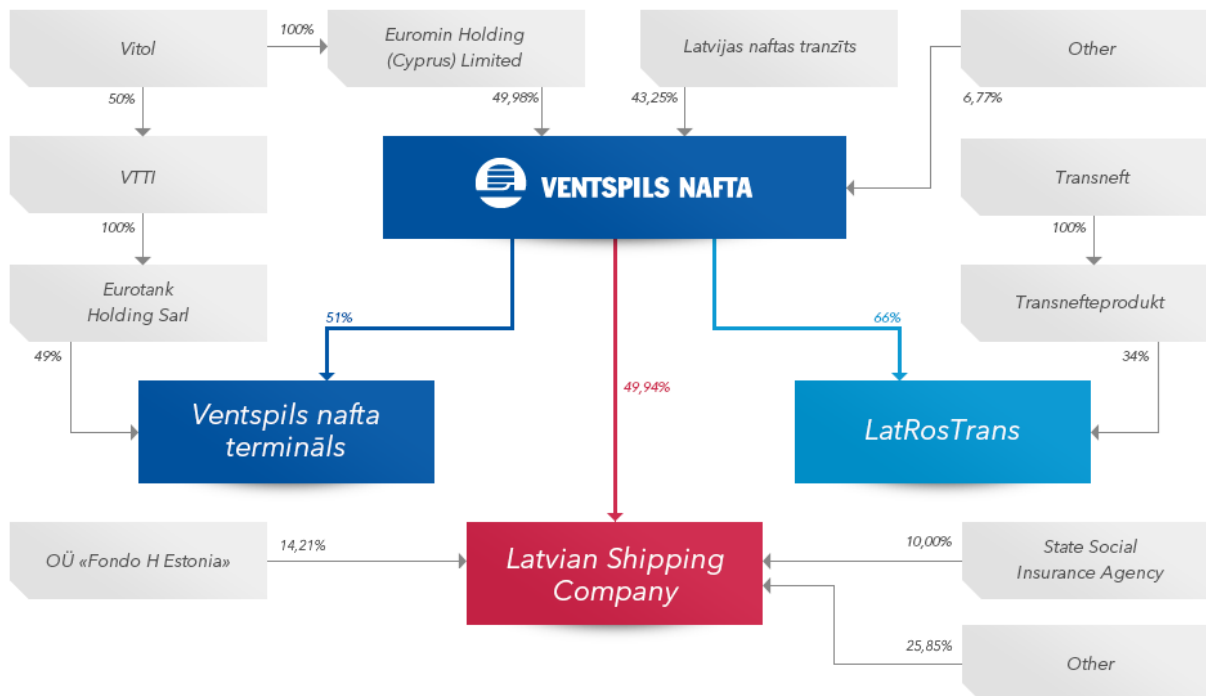
Strategy

The strategy of *JSC Ventspils nafta*, the Group's parent company, is to improve performance of Group companies by providing policy advice and international know-how on down-stream oil business, by organising joint public procurement tenders and coordinating business activities including corporate loans and communication policy. In this respect the intention of VN Group is to streamline Group's activities by introducing best business practices and good corporate governance standards to improve shareholders value.

Information about Ventspils nafta (cont'd)

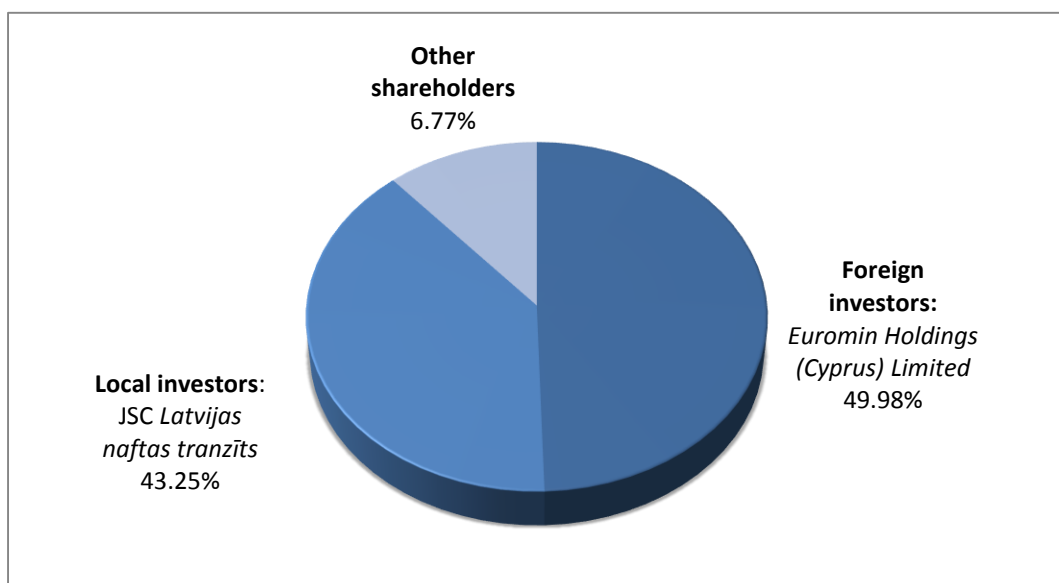
Corporate structure

Corporate structure of JSC Ventspils nafta as of 23 February 2015



Shareholders

Main shareholders (over 5%) of JSC Ventspils nafta as of 31 December 2014

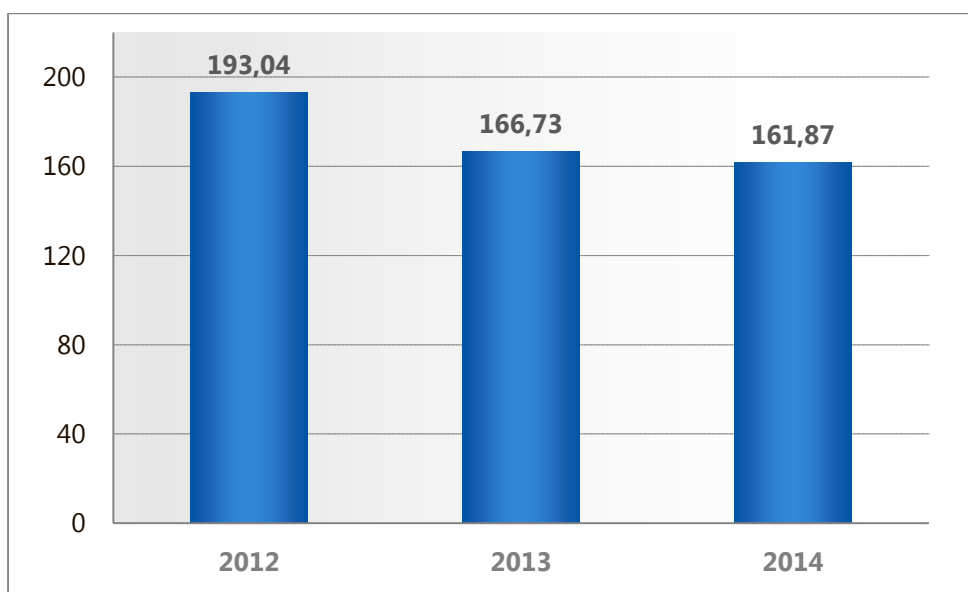


Information about Ventspils nafta (cont'd)

Key figures

	2012	2013	2014
Turnover (million EUR)	193.04	166.73	161.87
Net (loss)/ profit (million EUR)	5.51	(61.21)	(13.83)
Gross profit before depreciation (million EUR)	72.08	69.91	63.85
% of turnover	37.3%	41.9%	39.4%
EBITDA (million EUR)	57.37	51.89	59.91
% of turnover	29.7%	31.1%	37.0%
EBIT (million EUR)	23.65	23.45	38.62
% of turnover	12.3%	14.1%	23.9%
Return on Assets (%)	0.6%	(8.6%)	(2.0%)
Return on Equity (%)	0.94%	(11.16%)	(2.77%)
EPS attributable to owners of the parent (EUR)	0.06	(0.38)	(0.07)
Liquidity ratio	3.66	3.02	4.10

Ventspils nafta Group's revenue (million EUR)



Information on shares

ISIN	LV0000100816
Ticker	VNF1R
Nominal value	1.40 EUR
Total number of securities	104 479 519
Number of listed securities	104 479 519
List	Baltic Main List, NASDAQ OMX Riga
Listing date	20 October 1998
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBGI, OMXBPI, OMXRGI

Trading information (1 January 2014 – 31 December 2014)

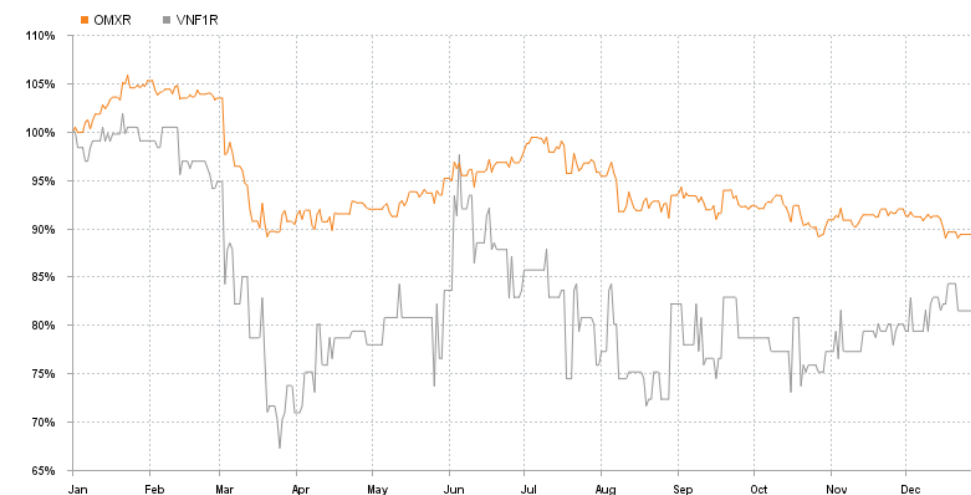
Open	1.423 EUR
Max	1.500 EUR
Min	0.954 EUR
Last	1.130 EUR
Average price	1.184 EUR
Change	-20.59 %
Deals	522
No of shares traded	95 771
Turnover	114 907.69 EUR
Capitalisation on 31.12.2014	118 061 856.47 EUR

Securities trading history, EUR

Price	2010	2011	2012	2013	2014
Open, EUR	1.309	2.062	1.707	1.522	1.423
High, EUR	2.689	2.104	1.791	1.665	1.500
Low, EUR	1.295	1.441	1.423	1.295	0.954
Last, EUR	1.992	1.707	1.522	1.423	1.130
Traded volume	1 492 345	1 632 287	1 222 348	305 600	95 771
Turnover, million EUR	3.16	3.30	2.33	0.44	0.11
Capitalisation, million EUR	208.13	178.39	159.07	148.66	118.06

Information on shares (cont'd)

Share price in comparison with *NASDAQ OMX Riga* index (1 January 2014 – 31 December 2014)



Index/Equity	01.01.2014	31.12.2014	+/-%
— OMX Riga	460.13	408.03	-11.32 ♦
— VNF1R	1.423 EUR	1.130 EUR	-20.58 ♦

Information source: *JSC NASDAQ OMX Riga* webpage www.nasdaqbaltic.com

Supervisory Council

Chairman of the Council	Vladimir Egger
Deputy Chairman of the Council	Rubel Yilmaz
Members of the Council	Simon Boddy
	Andrea Schlaepfer
	Julia Verschagina
	Varvara Maximova
	Rudolf Meroni
	David Guy Anstis
	Jānis Berķis
	Nauris Berķis
	Ivars Bērziņš

To the best of the Group's knowledge, no member of the Supervisory Council has more than 5% of direct ownership in related companies of Group's business partners, suppliers and clients.

The changes in the Council during the period from 1 January 2014 to 23 February 2015 were as follows:

Elected	Dismissed/ Resigned	Name	Position held
11/06/2014	-	Andrea Schlaepfer	Member of the Council
11/06/2014	-	Julia Verschagina	Member of the Council
11/06/2014	-	Varvara Maximova	Member of the Council
20/01/2010	11/06/2014	Mikhail Dvorak	Member of the Council
20/01/2010	11/06/2014	Javed Ahmed	Member of the Council
07/07/2010	11/06/2014	Christophe Theophanis Matsacos	Member of the Council

According to the Supervisory Council's resolution of 11 March 2014 Mikhail Dvorak was recalled from the position of the deputy chairman of the Supervisory Council and Rubel Yilmaz was elected as the deputy chairman of the Supervisory Council. On 28 August 2014, Vladimir Egger was re-elected as the Chairman of the Supervisory Council and Rubel Yilmaz was re-elected as Deputy Chairman of the Supervisory Council respectively.

Supervisory Council (cont'd)

Professional experience of the members of the Supervisory Council



Vladimir Egger has worked as the Chairman of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on June 11, 2014. Egger is also a Chairman of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company. Vladimir Egger is the Chief Representative in the Vitol Group's company VNT SA in Moscow. He has almost 30 years of professional experience in the field of commodities trading. Prior to working for Vitol, he was the Managing Director of the company Lukoil Asia Pacific based in Singapore and Beijing, China. Professional education: Bachelor of Arts degree in Economics and a Master of Business Administration degree.

Mr. Vladimir Egger does not own any shares of JSC Ventspils nafta.



Rubel Yilmaz is the Deputy Chairman of the Supervisory Council of JSC Ventspils Nafta. He is a member of the Supervisory Council of JSC Ventspils Nafta since January 20, 2010, and was re-elected for a period of 3 years on June 11, 2014. Yilmaz also holds positions in Ventspils nafta subsidiaries – he is the Deputy Chairman of the Supervisory Council of JSC Latvian Shipping Company, and has been a member of the Supervisory Council of Ventspils nafta termināls Ltd since March 1, 2010.

Rubel Yilmaz is the Chief Financial Director of VTTI (Vitol Tank Terminals International). Professional education: he has obtained a degree in economics in University of Groningen (Netherlands).

Mr. Rubel Yilmaz does not own any shares of JSC Ventspils nafta.



Simon Boddy is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, and was re-elected for a period of 3 years on June 11, 2014. Boddy is also a member of the Supervisory Council of JSC Latvian Shipping Company, a Ventspils nafta subsidiary.

Simon Boddy has worked in the oil business for more than 30 years. He has worked for the energy company Shell and then for BP. In 1989 he joined the Vitol Group and has held senior positions in trading, refinery supply and economics, and as the Chief Representative in Vitol's Moscow office from 2006 to 2008. He was appointed as a Board Member of Vitol Tank Terminals International and is also a qualified United Kingdom Barrister. He was the Chairman of the Management Board of JSC Ventspils Nafta in the time period from January 20, 2010 until September 1, 2013. Professional education: academic degree in Mathematics from the Oxford University, post-graduate diploma in Law from the College of Law of England and Wales in London.

Mr. Simon Boddy does not own any shares of JSC Ventspils nafta.



Andrea Schlaepfer is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. Schlaepfer is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

Andrea Schlaepfer is Head of Corporate Affairs at Vitol. She joined Vitol in February 2013. Prior to this she was Executive Director of Communications at LCH.Clearnet. She has over 15 years' experience in communications, primarily in the financial sector and has worked in an advisory capacity in communication firms, including Citigate Dewe Rogerson, and as head of European communications for Schroders Investment Management. She has a degree in Philosophy and Modern Languages from the University of Oxford.

Ms Andrea Schlaepfer does not own any shares of JSC Ventspils nafta.



Varvara Maximova is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. Maximova is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

Varvara Maximova is employed by Business Development Finance at Vitol since 2013. Previously she has worked for Natixis Bank and VTB Capital in Moscow. V. Maximova has degree in banking and finance from London School of Economics and Political Science and degree in economics from Russian State University "Higher School of Economics".

Ms Varvara Maximova does not own any shares of JSC Ventspils nafta.

Supervisory Council (cont'd)

Professional experience of the members of the Supervisory Council (cont'd)



Julia Verschagina is a member of the JSC Ventspils nafta Supervisory Council since 11 June 2014, elected for a period of 3 years. Verschagina is also a member of the Supervisory Council of the Ventspils nafta subsidiary JSC Latvian Shipping Company.

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. Ms Julia Verschagina does not own any shares of JSC Ventspils nafta.



Rudolf Meroni is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, and was re-elected for a period of 3 years on June 11, 2014.

Rudolf Meroni was also on the Supervisory Council of the JSC Ventspils nafta in the time period from July 7, 2010 until July 25, 2012.



David Guy Anstis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, and was re-elected for a period of 3 years on June 11, 2014.

David Guy Anstis has worked on the Management Board of several stevedoring companies in Ventspils. Previously he worked for Moore Stephens LLP, Chartered Accountants, in London, where he was a partner in the International Business Group, focusing on clients in the maritime industry. Mr. David Guy Anstis does not own any shares of JSC Ventspils nafta.



Jānis Berķis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, and was re-elected for a period of 3 years on June 11, 2014.

Jānis Berķis is Deputy Chairman of the Supervisory Council of Noord Natie Ventspils Terminals Ltd since February 2012 and Deputy Chairman of the Supervisory Council of JSC Ventbunkers since February 2013. In June 2010 Janis Berķis became the member of the Supervisory Council of JSC L.V.K., and in March 2011 became the board member of N&J ratio Ltd. Professional education: bachelor's degree in management at the Ventspils University College, MBA at the "Turība" University. Mr Jānis Berķis does not own any shares of JSC Ventspils nafta.



Nauris Berķis is a member of the JSC Ventspils nafta Supervisory Council since 17 October 2013, and was re-elected for a period of 3 years on June 11, 2014.

Nauris Berķis is the Chairman of the Supervisory Council of JSC Baltijas Ekspresis since March 2012 and the Chairman of the Supervisory Council of JSC Latvijas Naftas Tranzīts since May 2013. In June 2011 he became the board member of Privātfonds Ltd, whereas from March 2012 he became the board member of N&J Ltd. Professional education: bachelor's degree in management at the Ventspils University College.

Mr. Nauris Berķis does not own any shares of JSC Ventspils nafta.



Ivars Bērziņš has worked as a member of the Supervisory Council of Ventspils Nafta since July 25, 2012, and was re-elected for a period of 3 years on June 11, 2014.

He is a member of Supervisory Council of JSC Latvijas naftas tranzīts and authorised representative of Skonto nafta Ltd. Professional education: Master's degree in law. Mr. Ivars Bērziņš does not own any shares of JSC Ventspils nafta.

Management Board

Chairman of the Board

Robert Kirkup

Members of the Board

Boris Bednov
Aleksiej Tarasov

No member of the Management Board has more than 5% of direct ownership in any of Group's business partners, suppliers and clients.

There were no changes in the Management Board during the period from 1 January 2014 to 23 February 2015.

Professional experience of the members of the Management Board



Robert Kirkup is the Chairman of the JSC Ventspils nafta Management Board since 1 September 2013, elected for a period of 3 years. Kirkup also holds positions in Ventspils nafta subsidiaries – he is the Chairman of the Supervisory Council of LatRosTrans Ltd and the Chairman of the Management Board of JSC Latvian Shipping Company as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd.

In 1996 he joined the Vitol Group and has held a variety of management positions in oil, sugar and metal. Professional education: BA Honours Degree in Business.

Mr. Robert Kirkup does not own any shares of JSC Ventspils nafta.



Boris Bednov has worked as a member of the Management Board of JSC Ventspils Nafta since April 28, 2010, and was re-elected for a period of 3 years starting from April 28, 2013.

He is an oil and transit industry professional. He began his career in the oil and transit business in 1982 as a Refinery Engineer. Since 1993 he has been working as Oil Trader. He has been the Head of the Lithuanian office of Vitol, based in Mazeikai, since 1996. Professional education: he has graduated the D. Mendeleev University of Chemical Technology in Russia.

Mr Boris Bednov does not own any shares of JSC Ventspils nafta.



Aleksiej Tarasov has worked as a member of the Management Board of JSC Ventspils Nafta since January 6, 2011, and was re-elected for a period of 3 years on June 26, 2013.

He has worked for Mazeikiu Nafta since 1986. In 1997, he joined the Vitol Lithuania office and since then has continuously worked there as Technical Specialist. Main fields of his expertise include logistics, transportation, storage, and product quality preservation. Professional education: degree in Engineering from the St-Petersburg VVMURE Academy (currently – the Naval Institute of Marine Radioelectronics, VVMURE named after A.S. Popov).

Mr Aleksiej Tarasov does not own any shares of JSC Ventspils nafta.

Statement of Management's responsibilities

The Management Board of *JSC Ventspils nafta* 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 Ventspils nafta* and its subsidiaries (hereafter – the Group) as of 31 December 2014, changes in shareholders' equity, cash flows and the results of the Group for the 12 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 applicable legislation.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board
of *Joint Stock Company Ventspils nafta*
Riga, 23 February 2015

Management Report

Dear shareholders,

Ventspils nafta and its subsidiaries (Group)

The unaudited financial of Ventspils nafta and its subsidiaries (the Group) for 2014 were as follows:

- Net loss of 13.83 million EUR (2013: loss of 61.21 million EUR).
- Consolidated income fell 3 per cent to 161.87 million EUR (2013: 166.73 million EUR)
- Gross profit increased 2.7 per cent to 42.56 million EUR (2013: 41.45 million EUR).

Results were affected by a number of one off items, including:

For JSC Latvian Shipping Company (LSC Group)

- The previously reported partial settlement of the Antonio Gramsci Corporation court case in the High Court of London which positively impacted financial results by 20.05 million USD.
- Further impairments to the fleet, amounting to 55.25 million USD.
- A downwards re-evaluation of the investment in AS Latvijas Naftas tranzīts of 8.34 million USD.

For LatRosTrans

- The Group recognized an impairment of the crude oil infrastructure to the amount of 25.21 million EUR, following the displacement of the remaining technological crude oil from idle pipelines. The crude oil infrastructure now is fully impaired.
- The sale of the displaced crude oil generated one off gains in 2014.

Further details on performance of the companies within the Group can be found below.

Ventspils nafta (VN)

VN, the holding company, made a loss of 5.29 million EUR in 2014 (2013: loss of 28.15 million EUR), largely as a result of a 9.67 million EUR impairment (2013: 47.32 million EUR) recognised in respect of VN's investment in LatRosTrans Ltd and the reassessment of the recoverable amount following a write-down. Net result for the reporting year was also affected by the 2.38 million EUR impairment of debt following changes in market value of real estate upon which this debt is secured.

Dividend income from VN's investment in SIA Ventspils nafta termināls amounted to 6.37 million EUR. Net interest income was 1.33 million EUR (2013: 1.19 million EUR). Administrative costs, which fell by 200 thousand EUR to 950 thousand EUR (2013: 1.15 million EUR), are fully covered by management services provided to the Group and interest income from the issued loans and placed deposits.

Ventspils nafta termināls (VNT)

Ventspils nafta termināls' income rose by 3.95 million EUR to 76.85 million EUR (2013: 72.90 million EUR), driven by a 10% growth in volumes to 10.6 million tonnes of petroleum products (2013: 9.6 million tonnes). Net profit was 12.18 million EUR (2013: 12.43 million EUR). Volumes continue flowing through both the pipeline (55%) and rail or sea (45%).

During 2014, the share capital of VNT was reduced by 25 million EUR. As of 31 December 2014, the share capital of VNT is EUR 86.75 million. There were no changes in the shareholding structure.

In 2014, VNT was awarded with 'Gold' in the Latvian Sustainability Index Award and also received the award for being the Second Largest Taxpayer in 2013 in Ventspils. VNT has also ranked third in the good labour protection practice contest "Golden Helmet" organised by the State Labour Inspectorate.

Management Report (cont'd)

In 2014, by implementing the declared environmental and quality policy goals, VNT carried on with the tasks included in the environment management program, such as maintaining the safety level of technological processes, improving the operating environmental monitoring system, treating and rehabilitating polluted areas in the VNT's territory.

LatRosTrans (LRT)

In 2014, LRT continued facing uncertainty and instability in the Baltic transportation services market. Aggravation of the geopolitical situation and instability of economic growth in the EU countries had a negative impact on LRT's operations in the reporting year. After a successful start of the year, LRT went through several difficult months, when the transportation volumes dropped to the worst indicators over the last few years. However, throughout the year, a minor increase in transportation volumes was achieved compared with 2013. Volumes of transported petroleum products reached 5.7 million tonnes (2013: 5.5 million tonnes).

In 2014, revenues were 16.5 million EUR, an increase of 8% compared to 2013 (15.3 million EUR), and gross profits rose by 4.66 million EUR to 5.8 million EUR (2013: 1.14 million EUR).

Considering tough competition in the market of transit services in the Baltics and uncertainties of further market development, as well as the current geo-political environment, in 2014 LRT recognised an impairment of 2.68 million EUR against the non-current assets belonging to the infrastructure of petroleum products transportation.

The improvement in gross profit has been partly achieved due to the impairment on the non-current assets recognised in the previous reporting year, resulting in a substantial decrease in depreciation costs of the non-current assets in 2014.

In 2014, LRT finished displacing technological crude oil from idle pipelines. As a result, more than 64 thousand tons of crude oil were displaced from the LRT's pipelines and sold: a part in 2014 and a part in January 2015. Consequently, crude oil infrastructure related assets were fully impaired since the technological crude oil displacement project was completed and no further active use of these assets is foreseen in the nearest future. The recognized impairment of these assets was 25.21 million EUR.

Since a substantial part of LRT's assets are denominated in USD, they are subject to a currency exchange risk. Therefore, the net result of LRT in 2014 was influenced by net profit from exchange rate fluctuations in the amount of 6 million EUR. In turn, in 2013 the net result was affected by net losses from exchange rate fluctuations in the amount of 1.34 million EUR.

As a result of all of the above, LRT has achieved a net profit of 1.18 million EUR (2013: net loss amounting 59.47 million EUR) in the reporting year.

In 2014 LRT carried out reduction of the share capital in the amount of the accumulated losses (59.465 million EUR) as of 31st December 2013. This divestment was undertaken in order to retain the ability to return cash retained within LRT to shareholders in the future. The reduction of the share capital did not change the total equity of LRT. There were no changes in the shareholding structure.

Latvian Shipping Company (LSC)

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. In the beginning of 2013 there were twenty vessels within the fleet, whereas sixteen vessels were left in the end of 2014.

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). 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 LSC 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.

Management Report (cont'd)

The unaudited financial result of the LSC Group for the year 2014 resulted in a net loss in the amount of 30.98 million USD predominantly as a consequence of vessel impairments in the amount of 55.25 million USD. The accumulated result for 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 the real property located on Jēkaba Street, Riga, and revaluation and disposal of investment in the medical clinic SIA "Via Una". The other negative factors were losses from sale of the vessel "Riga" in the amount of 0.34 million USD, as well as re-evaluation of the investment in AS "Latvijas Naftas tranzīts" in the amount of 8.34 million USD. For comparison, the LSC Group suffered a loss of 18.15 million USD in 2013.

During 2014, the LSC Group continued improving its cash position significantly, and as at 31st December 2014 the LSC Group had cash and deposits with maturity up to 12 months in the amount of 45.58 million USD, which is 7.04 million USD more than in 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. In the reporting year, two intergroup loans, which were received in early 2012 and 2013 from VN were repaid.

During 2014, the LSC Group fleet was reduced from seventeen to sixteen vessels. 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, therefore, as of the 31th December 2014, the fleet consisted of sixteen medium range and handy size tankers with an average age of 7 years.

On behalf of the Management Board:

Robert Kirkup
Chairman of the Management Board
of *Joint Stock Company Ventspils nafta*
Riga, 23 February 2015

Consolidated income statement

For the year ended 31 December

	2014 EUR '000	2013 EUR '000
Revenue	161 869	166 729
Cost of sales	<u>(119 309)</u>	<u>(125 277)</u>
Gross profit	42 560	41 452
General and administrative expense	(11 029)	(10 960)
Other operating income	38 145	1 689
Other operating expense	(11 276)	(6 683)
Impairment of other non-financial assets	(70 828)	(80 932)
Finance income	9 912	1 631
Finance costs	<u>(7 524)</u>	<u>(12 437)</u>
Loss before tax	(10 040)	(66 240)
Corporate income tax	<u>(3 793)</u>	<u>5 026</u>
Loss for the year	<u>(13 833)</u>	<u>(61 214)</u>
Attributable to:		
Parent company's shareholders	(7 538)	(39 874)
Non-controlling interest	<u>(6 295)</u>	<u>(21 340)</u>
	<u>(13 833)</u>	<u>(61 214)</u>
Loss per share attributable		
to the Parent company's shareholders:	<u>EUR (0,07)</u>	<u>EUR (0,38)</u>
Loss per share	EUR (0,13)	EUR (0,59)

On behalf of the Management Board:

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

Consolidated statement of comprehensive income

For the year ended 31 December

	2014	2013
	EUR '000	EUR '000
Loss for the year	(13 833)	(61 214)
Other comprehensive income		
- Foreign currency revaluation reserve	14 480	(3 832)
- Cash flow hedge reserve	323	536
Other comprehensive income/ (loss) for the year	14 803	(3 296)
Total comprehensive income/ (loss) for the year	970	(64 510)
Attributable to:		
Parent company's shareholders	(146)	(41 520)
Non-controlling interests	1 116	(22 990)
	970	(64 510)

On behalf of the Management Board:

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

Consolidated statement of financial position

	31.12.2014.	31.12.2013.
	EUR '000	EUR '000
Assets		
Non-current assets		
Intangible assets	13	21 572
Property, plant and equipment	388 959	428 889
Investment properties	359	1 589
Investments in associated entities	-	10
Loans to affiliated companies	67 955	97 454
Other non-current financial assets	48 899	33 694
Total non-current assets	506 185	583 208
Current assets		
Inventories	11 238	3 469
Trade and other receivables	10 170	8 983
Loans to affiliated companies	33 434	-
Short term deposits	65 938	44 443
Other current financial assets	508	24 239
Cash and cash equivalents	58 034	51 125
Total current assets	179 322	132 259
Total assets	685 507	715 467

On behalf of the Management Board:

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

Consolidated statement of financial position (cont'd)

	31.12.2014.	31.12.2013.
	<u>EUR '000</u>	<u>EUR '000</u>
Equity and liabilities		
Equity		
Share capital	146 271	148 660
Share premium	60 249	60 249
Reserve of share capital denomination	2 389	-
Other equity instruments	(7 295)	-
Foreign currency revaluation reserve	(3 853)	(11 084)
Cash flow hedge reserve	(284)	(445)
Retained earnings	136 384	176 166
Loss for the year	(7 538)	(39 874)
Equity attributable to equity holders of the parent	326 323	333 672
Non-controlling interest	150 191	174 660
Total equity	476 514	508 332
Non-current liabilities		
Borrowings	156 205	157 981
Deferred tax liability	1 549	1 581
Deferred income	3 827	3 297
Derivative financial instruments	119	418
Total non-current liabilities	161 700	163 277
Current liabilities		
Borrowings	21 306	27 170
Trade and other payables	17 205	12 735
Taxes payable	3 746	421
Derivative financial instruments	510	740
Deferred income	2 439	1 483
Provisions	2 087	1 309
Total current liabilities	47 293	43 858
Total liabilities	208 993	207 135
Total equity and liabilities	685 507	715 467

On behalf of the Management Board:

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

Consolidated statement of cash flows

For the year ended 31 December

	2014	2013
	EUR'000	EUR'000
Operating activities		
Loss before tax	(10 040)	(66 240)
Adjustments for:		
Depreciation of property, plant and equipment	21 237	28 385
Amortisation of intangible assets	19	24
Depreciation of investment properties	32	40
Changes in financial instruments	(183)	(303)
Loss on disposal of non-financial assets	28	3 265
Currency translation difference	(7 133)	992
Net profit from disposal of Group's subsidiary	(444)	(141)
Interest income	(1 985)	(1 631)
Interest expense	7 154	10 388
Recognition of other equity instruments	(14 607)	-
Recognized impairment of the fleet and assets classified as held for sale	42 942	17 627
Recognized impairment of the property, plant and equipment	6 705	48 944
Recognized impairment of the intangible assets	21 542	14 361
Revaluation of crude oil	(8 820)	-
Impairment of other non-current financial assets	8 504	-
Impairment loss of goodwill at acquisition	-	27
	64 951	55 738
Working capital adjustments:		
Changes in trade and other receivables and prepayments	(1 567)	8 985
Changes in inventories	1 051	872
Changes in trade and other payables	3 264	(5 324)
	67 699	60 271
Corporate income tax (paid)/ returned	(522)	107
Net cash flows from operating activities	67 177	60 378
Investing activities		
Proceeds from sale of non-current assets	11 686	32 192
Purchase of non-current assets	(5 749)	(6 786)
Acquisition of Group's subsidiary	-	(9 169)
Loss from disposal of Group's subsidiary	-	(11)
Paid to non-controlling interest as the result of reduction of share capital of Group's subsidiary	(9 800)	-
Grants from ERDF	747	-
Decrease/ (increase) in short term deposits	(21 493)	1 801
Increase in long term deposits	(750)	-
Loans (issued)/ repaid	1 275	(32 060)
Interest received	1 545	1 431
Net cash flows used in investing activities	(22 539)	(12 602)
Financing activities		
Payment of finance lease liabilities	-	(1 009)
Dividends paid	(6 116)	(15 889)
Repayment of borrowings	(28 680)	(42 591)
Interest paid	(6 157)	(8 856)
Prepaid financing expenses	(202)	(519)
Net cash flows used in financing activities	(41 155)	(68 864)
Net increase/ (decrease) in cash and cash equivalents	3 483	(21 088)
Cash and cash equivalents as at 1 January	51 125	72 024
Exchange gain on cash and cash equivalents	3 426	189
Cash and cash equivalents as at 31 December	58 034	51 125

Consolidated statement of changes in equity

For the year ended 31 December

Attributable to the equity holders of the parent

	Share capital	Reserve of share capital denomination	Share premium	Foreign currency translation reserve	Cash flow hedge reserve	Other equity instruments	Retained earnings	Total	Non-controlling interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balances as of 1 January 2013	148 660	-	60 249	(9 170)	(713)	-	176 166	375 192	213 539	588 731
Loss for the year	-	-	-	-	-	-	(39 874)	(39 874)	(21 340)	(61 214)
Other comprehensive (loss)/ income	-	-	-	(1 914)	268	-	-	(1 646)	(1 650)	(3 296)
Total comprehensive (loss)/ income	-	-	-	(1 914)	268	-	(39 874)	(41 520)	(22 990)	(64 510)
Dividends declared	-	-	-	-	-	-	-	-	(15 889)	(15 889)
Balances as of 31 December 2013	148 660	-	60 249	(11 084)	(445)	-	136 292	333 672	174 660	508 332
Other adjustment	-	-	-	-	-	-	92	92	93	185
Loss for the year	-	-	-	-	-	-	(7 538)	(7 538)	(6 295)	(13 833)
Other comprehensive income	-	-	-	7 231	161	-	-	7 392	7 411	14 803
Total comprehensive income	-	-	-	7 231	161	-	(7 538)	(146)	1 116	970
Reserve of share capital denomination	(2 389)	2 389	-	-	-	-	-	-	-	-
Other equity instruments	-	-	-	-	-	(7 295)	-	(7 295)	(7 312)	(14 607)
Effect of subsidiaries's share capital reduction	-	-	-	-	-	-	-	-	(12 250)	(12 250)
Dividends declared	-	-	-	-	-	-	-	-	(6 116)	(6 116)
Balances as of 31 December 2014	146 271	2 389	60 249	(3 853)	(284)	(7 295)	128 846	326 323	150 191	476 514

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 *JSC Ventspils nafta* and its subsidiaries (hereinafter also – the Group) for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards as adopted by EU.

The Group's unaudited condensed consolidated financial statements are presented in Euros (EUR), which is also the Parent company's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary are measured using its functional currency.

Transactions and balances

The functional and presentation currency of *Ventspils nafta termināls Ltd*, *LatRosTrans Ltd* and *JSC Ventspils Nafta* is Euros (EUR), the functional currency of *JSC Latvian Shipping Company* is U.S. Dollar (USD).

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange prevailing at the end of financial period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

ECB (the European Central Bank) rate of exchange as at 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 (cont'd)

For the year ended 31 December

2. Segment information

	Crude oil and oil products		Shipping		Holding activities		Total segments		Adjustments and eliminations		Consolidated	
	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th	2014 EUR th	2013 EUR th
Revenue from external customers	93 347	88 194	68 147	78 033	-	-	161 494	166 227	-	-	161 494	166 227
Intersegment revenue	-	-	81	-	55	181	136	181	(136)	(181)	-	-
Voyage costs	-	-	(9 990)	(10 972)	-	-	(9 990)	(10 972)	-	-	(9 990)	(10 972)
Vessel operating costs	-	-	(23 591)	(26 154)	-	-	(23 591)	(26 154)	-	-	(23 591)	(26 154)
Cost of sales (vessel operating costs excluding)	(64 481)	(59 725)	(259)	(388)	-	-	(64 740)	(60 113)	1	4	(64 739)	(60 109)
Administrative expenses	(3 763)	(3 294)	(6 048)	(6 238)	(941)	(1 101)	(10 752)	(10 633)	142	215	(10 610)	(10 418)
Result from disposal of non-financial assets	(177)	(102)	162	(3 163)	(13)	-	(28)	(3 265)	-	-	(28)	(3 265)
Other revenue	-	-	362	502	13	-	375	502	-	-	375	502
Depreciation and amortisation	(7 115)	(11 111)	(14 162)	(17 325)	(11)	(13)	(21 288)	(28 449)	-	-	(21 288)	(28 449)
Impairment of non-financial assets*	(28 247)	(63 305)	(42 942)	(17 627)	-	-	(71 189)	(80 932)	-	-	(71 189)	(80 932)
Interest income	1 095	1 070	348	65	1 802	1 643	3 245	2 778	(1 266)	(1 155)	1 979	1 623
Interest expense	-	-	(7 911)	(11 057)	(470)	(457)	(8 381)	(11 514)	1 269	1 155	(7 112)	(10 359)
Net result before tax	(9 341)	(48 273)	(35 803)	(14 324)	435	253	(44 709)	(62 344)	10	38	(44 699)	(62 306)
Segment assets	216 279	228 035	327 184	352 283	165 766	146 240	709 229	726 558	(44 461)	(39 772)	664 768	686 786
Unallocated:												
Assets of subsidiaries not included in segment											3 915	4 512
Investment properties											359	1 589
Available-for-sale financial assets											16 465	22 580
Total consolidated assets											685 507	715 467
Including additions to non-current assets	5 481	5 748	279	941	5	7	5 765	6 696	-	-	5 765	6 696

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

For the year ended 31 December

2. Segment information (cont'd)

Reconciliation of segment results to consolidated income statement:

	2014	2013
	EUR thousand	EUR thousand
Segment result	(44 699)	(62 306)
Reconciliation to profit/ (loss) before tax:		
Administrative expenses	(120)	(135)
Other operating income/ (expenses), net	27 265	(1 690)
Other financial income/ (expenses), net	7 524	(2 072)
Adjustments and eliminations	(10)	(38)
LOSS BEFORE TAX:	(10 040)	(66 241)

* In 2014, the Group recognized impairment of the fleet in amount of EUR 42 942 thousand (2013: EUR 17 627 thousand) and impairment of the other non-current assets in the amount of EUR 27 886 thousand (2013: EUR 63 305 thousand) in the segment of Crude oil and oil products.

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

For the year ended 31 December

3. Related party transactions

The related party transactions performed by the *VN Group* during the reporting year can be seen in the table below:

Related party	Nature of services	2014		31.12.2014	
		Income	Expense	Amounts due from related parties	Amounts due to related parties
		EUR thousand	EUR thousand	EUR thousand	EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	816	-	68 002	-
Vitol Baltics SIA	Rental costs/Management and accounting services/ Outstanding balances	71	-	69	-
Transnefteprodukt AK	Interest income/ Outstanding balances	254	-	16 961	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	92 299	-	2 480	(1 537)
Eurotank Holding SARL	Consulting services	-	(300)	-	-
Eurotank Holding SARL	Accounts payable resulting from decrease of share capital	-	-	-	(2 450)
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods/ Outstanding balances	-	(20)	-	(20)
ITANK B.V.	IT services/ Outstanding balances	-	(208)	-	(208)
Ventspils Tank Services SA	Storage of oil/ Outstanding balances	-	(1 156)	-	(500)
Latvijas Naftas Tranzits JSC	Other services/ Outstanding balances	-	-	13	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(42)	-	(2 079)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	5	-	410	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	285	-	5	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	19 408	-	9	(50)
Vitol S.A.	Voyage income/ Outstanding balances	1 969	-	-	-
Vitol S.A.	Selling of crude oil	13 747	-	-	-
Vitol S.A.	Interest income/ Outstanding balances	185	-	16 490	-
Vitol Inc	Voyage income/ Outstanding balances	1 261	-	-	-
	TOTAL:	130 300	(1 726)	104 439	(6 844)
Including:					
Non-current				67 955	-
Current				36 484	(5 257)
Deferred income				-	(1 587)
TOTAL:				104 439	(6 844)

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

For the year ended 31 December

3. Related party transactions (cont'd)

The related party transactions performed by the *VN Group* during the previous reporting year and as at 31 December 2013 can be seen in the table below:

Related party	Nature of services	2013		31.12.2013	
		Income	Expense	Amounts due from related parties	Amounts due to related parties
		EUR thousand	EUR thousand	EUR thousand	EUR thousand
Euromin Holdings (Cyprus) Ltd	Interest income/ Outstanding balances	773	-	67 955	-
Transnefteprodukt AK	Interest income/ Outstanding balances	192	-	14 843	-
Ventspils Tank Services SA	Reloading services and transportation of oil products/ Outstanding balances	88 181	-	1 901	(1 656)
Eurotank Holding SARL	Consulting services	-	(306)	-	-
Vitol Tank Terminals International B.V.	Consulting and IT services, supply of goods	-	(213)	-	-
Vitol Tank Terminals International B.V.	Compensation of expenses	-	-	23	-
ITANK B.V.	IT services	-	(3)	-	-
Latvijas Naftas Tranzits JSC	Other income/ Outstanding balances	7	-	11	-
Latvijas Naftas Tranzits JSC	Interest expense/ Outstanding balances	-	(30)	-	(2 036)
Minority shareholders of Skonto nafta Ltd.	Interest income/ Outstanding balances	4	-	406	-
Mansel Oil Ltd.	Tech.management fee and IT services/ Outstanding balances	332	-	9	-
Mansel Oil Ltd.	Voyage income/ Outstanding balances	22 079	-	-	(949)
Vitol S.A.	Voyage income/ Outstanding balances	4 952	-	30	-
Vitol S.A.	Interest income/ Outstanding balances	139	-	14 670	-
Vitol Inc	Voyage income/ Outstanding balances	225	-	-	-
Vitol S.A.	Selling of oil products	768	-	-	-
Vitol Asia Pte.	Voyage income/ Outstanding balances	23	-	208	-
	TOTAL:	117 675	(552)	100 056	(4 641)
Including:					
Non-current				97 454	-
Current				2 602	(2 036)
Deferred income				-	(2 605)
	TOTAL:			100 056	(4 641)