

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

## **Unaudited Condensed Interim Consolidated Financial Statements**

**for the 1<sup>st</sup> quarter 2015**



## **CONTENTS**

Supervisory Council.....	3
Professional experience of the members of the Supervisory Council.....	4
Management Board.....	6
Professional experience of the members of the Management Board.....	7
Review of the shares.....	8
Management report.....	10
Statement of Management's Responsibilities.....	11
Consolidated income statement.....	12
Consolidated statement of comprehensive income.....	13
Consolidated statement of financial position.....	14
Consolidated statement of changes in equity.....	16
Consolidated statement of cash flows.....	18
Notes to the unaudited condensed consolidated financial statements.....	19

## **Supervisory Council**

**Chairman of the Supervisory Council** Vladimir Egger (until April 27, 2015; from May 14, 2015)

**Deputy Chairperson of the Supervisory Council** Rubil Yilmaz (until April 27, 2015; from May 14, 2015)

**Members of the Supervisory Council:**

Vladimir Egger (from April 27, 2015 until May 14, 2015)

Rubil Yilmaz (from April 27, 2015 until May 14, 2015)

Simon Boddy (until April 27, 2015)

Yulia Vereschagina (until April 27, 2015)

Ivars Girgensons (until April 27, 2015)

Dzmitry Yudzin (from April 27, 2015)

Boris Bednov (from April 27, 2015)

Artūrs Neimanis (from April 27, 2015)

Andrea Schlaepfer

Varvara Maximova

Olga Kurenkova

Giovanni Fagioli

Kristo Oidermaa

## **Professional experience of the members of the Supervisory Council**

- Vladimir Egger* Re-elected in the position of the Chairman of the Supervisory Council on May 14, 2015. Re-elected in the position of the member of the Supervisory Council on April 27, 2015 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.
- Rubil Yilmaz* Re-elected in the position of the Deputy Chairman of the Supervisory Council on May 14, 2015. Re-elected in the position of the member of the Supervisory Council on April 27, 2015 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. Rubel Yilmaz does not own shares of JSC Latvian Shipping Company.
- Andrea Schlaepfer* Re-elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Andrea Schlaepfer is also a member of the Supervisory Council of JSC "Ventspils nafta". A. 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.
- Varvara Maximova* Re-elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Varvara Maximova is also a member of the Supervisory Council of JSC "Ventspils nafta". V.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* Re-elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Olga Kurenkova is also a member of the Supervisory Council of JSC "Ventspils nafta". O.Kurenkova works at representative office of "Vitol Services B.V., The Netherlands" since 2012 as a head of logistic department. Previously since 2000 she was employed by representative office of "VNT S.A., Switzerland" as a logistic manager and head of logistic department. 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* Re-elected in the position of the member of the Supervisory Council on April 27, 2015 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.
- Kristo Oidermaa* Re-elected in the position of the member of the Supervisory Council on April 27, 2015 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.

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

- Dzmitry Yudzin* Elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Dzmitry Yudzin is also a member of the Supervisory Council of JSC "Ventspils nafta". D. Yudzin has worked for Belarussian Oil Company since 2009. In May 2014, he joined the Vitol Services B.V. (The Netherlands) Representative office. In December 2014, he joined the SIA "Vitol Baltics" and since then has continuously worked there as trader. Professional education: degree in Economy from Belarussian National Polytechnic University. Dzmitry Yudzin does not own any shares of JSC Latvian Shipping Company.
- Boris Bednov* Elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Boris Bednov has worked as a member of the Management Board of JSC "Ventspils nafta" since April 28, 2010. 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, from 1996 till 2014. Since August, 2014 he has been employed in leading position by "Vitol Baltics" Ltd office in Riga. Professional education: he has graduated the D. Mendeleyev University of Chemical Technology in Russia. Boris Bednov does not own any shares of JSC Latvian Shipping Company.
- Artūrs Neimanis* Elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Artūrs Neimanis is the adviser of Welfare Minister in the issues related to administration, finance and human resources since January 2014. Previously he was employed in leading positions related to the security at "GE Money Bank". Professional education: bachelor degree in business management from Information system management institution of higher education and qualification of lawyer from Latvian Police academy. Artūrs Neimanis does not own any shares of JSC Latvian Shipping Company.

## **Management Board**

**Chairman of the Management Board**

Robert Kirkup

**Members of the Management Board**

Paul Thomas

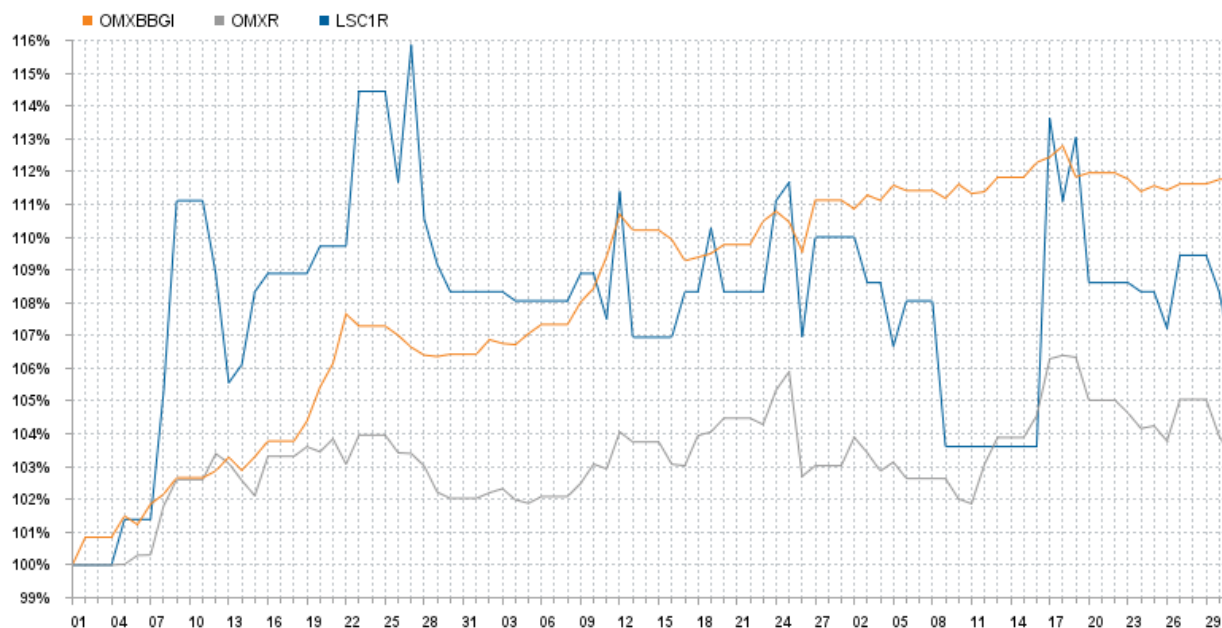
Christopher James Kernon

## **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 01.01.2015 until 31.03.2015



Index/Equity	01.01.2015	31.03.2015	+/-%
—OMX Baltic Benchmark GI	566.56	633.35	11.79
—OMX Riga	408.03	421.39	3.27
—LSC1R	0.360 EUR	0.383 EUR	6.39

### Securities information

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

### Securities trading history, EUR

Price	2010	2011	2012	2013	2014	Q1/2015
Open	0.583	0.526	0.444	0.359	0.550	0.360
High	0.740	0.655	0.492	0.593	0.580	0.417
Low	0.484	0.428	0.289	0.327	0.352	0.360
Last	0.539	0.438	0.359	0.559	0.360	0.383
Average	0.575	0.487	0.406	0.437	0.453	0.393
Traded volume	5,058,251	13,526,230	985,943	4,575,982	1,449,529	439,464
Turnover, million	2.89	8.32	0.38	2.15	0.66	0.17
Capitalisation, million	107.85	87.65	71.71	111.84	72.00	76.60

Information source: JSC „NASDAQ OMX Riga” webpage [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)

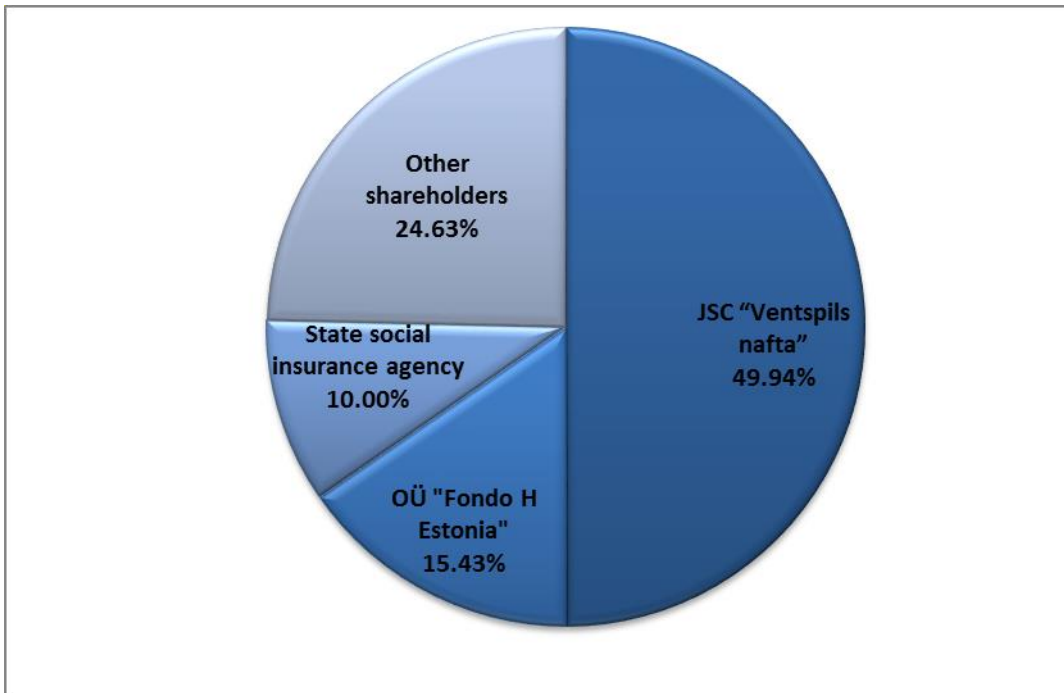


### Review of the shares *(continued)*

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	15.43%
State social insurance agency	Government institution	10.00%

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



## Management report

### Highlights:

- The Latvian Shipping Company and its subsidiaries (LSC Group) revenue for Q1 2015 was USD 21.98 million (USD 23.75 million in Q1 2014) with a stable net voyage result for the period of USD 19.93 million (USD 19.49 million in Q1 2014);
- Net profit for Q1 2015 was USD 2.98 million (USD 7.26 million in Q1 2014) despite the record low crude oil prices and volatility in the charter rates;
- A further impairment of the fleet in Q1 2015 in the amount of USD 2.05 million reflected the modest decrease in the fleet value (fleet impairment in Q1 2014 - USD 13.30 million);
- Administrative costs significantly reduced in Q1 2015 – USD 2.11 million due to lower legal costs (Q1 2014 – USD 3.42 million);
- Q1 2015 cash positive for the LSC Group; net cash increase USD 0.64 million (net cash decrease in Q1 2014 was USD 0.03 million);
- Fleet operating profit - USD 13.03 million in Q1 2015 higher than previous year (Q1 2014 – USD 11.97 million);
- No change in commercial fleet (sixteen vessels); “LSC Shipmanagement” Ltd contracted to technically manage two further third party tankers (twenty vessels in total, including four third party’ tankers);
- Disposal of non-core investment in “Futbola klubs “Ventpils”” Ltd finalised.

The key financial indicators for LSC Group for Q1 for the last three financial years are as follows (USD million):

	Q1 2013	Q1 2014	Q1 2015
<b>Sales</b>	26.83	23.75	21.98
<b>EBITDA</b>	12.57	8.68	11.03
<b>Profit before exceptionals</b>	1.78	0.51	5.01
<b>Exceptionals (income from financial assets)</b>	-	20.05	0.06
<b>Exceptionals (fleet impairment)</b>	(1.70)	(13.30)	(2.05)
<b>Net profit</b>	0.08	7.26	2.98

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

Fleet	Y 2010	Y 2011	Y 2012	Y 2013	Y2014	Q1 2015(E)
HS (4 vessels)*	10 271	11 216	12 703	13 468	13 594	14 104
MR (12 vessels)**	11 849	12 882	13 168	14 174	14 130	16 370
LR1 (1 vessel) ***	16 826	13 623	12 086	12 122	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.

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

Robert Kirkup  
Chairman of the Management Board of  
Joint Stock Company Latvian Shipping Company  
Riga, 22 May 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 March 2015, changes in shareholders' equity, cash flows and the results of the Group for the three month period ended 31 March 2015.

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

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Robert Kirkup  
Chairman of the Management Board of  
Joint Stock Company Latvian Shipping Company  
Riga, 22 May 2015

**LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 1<sup>ST</sup> QUARTER 2015**

## Consolidated income statement

for the period ended 31 March 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Voyage income	21 770	23 655	19 098	17 276
Income from other services	212	96	187	70
<b>Revenue</b>	<b>21 982</b>	<b>23 751</b>	<b>19 285</b>	<b>17 346</b>
Voyage costs	(1 844)	(4 164)	(1 738)	(3 042)
Cost of sales	(11 098)	(12 634)	(9 960)	(9 228)
<b>Gross profit</b>	<b>9 040</b>	<b>6 953</b>	<b>7 587</b>	<b>5 076</b>
Administrative expenses	(2 113)	(3 415)	(1 911)	(2 493)
Impairment of non-financial assests	(2 045)	(13 297)	(1 886)	(9 712)
Other operating income	6	20 138	6	14 708
Other operating expenses	-	(21)	-	(15)
<b>Operating profit</b>	<b>4 888</b>	<b>10 358</b>	<b>3 796</b>	<b>7 564</b>
Finance income	543	71	604	52
Finance costs	(2 429)	(3 108)	(2 180)	(2 270)
<b>Profit before tax</b>	<b>3 002</b>	<b>7 321</b>	<b>2 220</b>	<b>5 346</b>
Income tax	(27)	(63)	(24)	(46)
<b>Profit for the period</b>	<b>2 975</b>	<b>7 258</b>	<b>2 196</b>	<b>5 300</b>
Attributable to:				
Equity holders of the parent	2 980	7 269	2 200	5 308
Non-controlling interests	(5)	(11)	(4)	(8)
	<b>2 975</b>	<b>7 258</b>	<b>2 196</b>	<b>5 300</b>
<b>Profit per share</b>	<b>US \$ 0.01</b>	<b>US \$ 0.04</b>	<b>EUR 0.01</b>	<b>EUR 0.03</b>

## Consolidated statement of comprehensive income

for the period ended 31 March 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
<b>Profit for the period</b>	<b>2 975</b>	<b>7 258</b>	<b>2 196</b>	<b>5 300</b>
<b>Other comprehensive income:</b>				
<b>Items that maybe subsequently reclassified to profit or loss</b>				
Exchange differences on translation of foreign operations	(2 684)	285	14 228	(1 123)
Net movement on cash flow hedges	67	140	(6)	102
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(2 617)</b>	<b>425</b>	<b>14 222</b>	<b>(1 021)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>358</b>	<b>7 683</b>	<b>16 418</b>	<b>4 279</b>
Attributable to:				
Equity holders of the parent	956	7 642	16 422	4 287
Non-controlling interests	(598)	41	(4)	(8)
	<b>358</b>	<b>7 683</b>	<b>16 418</b>	<b>4 279</b>

## Consolidated statement of financial position

as at 31 March 2015

	31.03.2015. US \$'000	31.12.2014. US \$'000	31.03.2015. EUR'000	31.12.2014. EUR'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	12	16	11	13
Fleet	338 593	343 997	312 212	283 335
Property, plant and equipment	2 572	2 814	2 371	2 318
Investment properties	4	4	4	4
Other non-current financial assets	22 092	24 226	20 371	19 954
<b>Total non-current assets</b>	<b>363 273</b>	<b>371 057</b>	<b>334 969</b>	<b>305 624</b>
<b>Current assets</b>				
Inventories	2 500	1 575	2 305	1 297
Trade and other receivables	2 966	2 312	2 735	1 904
Prepayments	997	737	919	607
Other current financial assets <i>including deposits with maturity more than three months</i>	18 184	18 209	16 768	14 998
	<i>17 700</i>	<i>17 650</i>	<i>16 321</i>	<i>14 538</i>
Cash and cash equivalents	28 569	27 925	26 342	23 001
<b>Total current assets</b>	<b>53 216</b>	<b>50 758</b>	<b>49 069</b>	<b>41 807</b>
<b>Total assets</b>	<b>416 489</b>	<b>421 815</b>	<b>384 038</b>	<b>347 431</b>

## Consolidated statement of financial position *(continued)*

as at 31 March 2015

	31.03.2015. US \$'000	31.12.2014. US \$'000	31.03.2015. EUR'000	31.12.2014. EUR'000
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	114 661	111 681	90 566	88 366
Other components of equity	(32 205)	(30 181)	(4 095)	(18 317)
<b>Equity attributable to equity holders of the parent</b>	<b>158 848</b>	<b>157 892</b>	<b>146 471</b>	<b>130 049</b>
Non-controlling interests	4 967	5 565	4 580	4 584
<b>Total equity</b>	<b>163 815</b>	<b>163 457</b>	<b>151 051</b>	<b>134 633</b>
<b>Non-current liabilities</b>				
Interest bearing loans	183 182	189 649	168 909	156 205
Derivative financial instruments	131	145	121	119
Trade and other payables	28 967	29 661	26 710	24 431
Deferred tax liabilities	98	109	90	90
<b>Total non-current liabilities</b>	<b>212 378</b>	<b>219 564</b>	<b>195 830</b>	<b>180 845</b>
<b>Current liabilities</b>				
Trade and other payables	12 005	9 612	11 070	7 916
Interest bearing loans	25 867	25 867	23 852	21 306
Derivative financial instruments	560	619	516	510
Deferred income	1 864	2 696	1 719	2 221
<b>Total current liabilities</b>	<b>40 296</b>	<b>38 794</b>	<b>37 157</b>	<b>31 953</b>
<b>Total equity and liabilities</b>	<b>416 489</b>	<b>421 815</b>	<b>384 038</b>	<b>347 431</b>

**LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES**  
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**FOR THE 1<sup>ST</sup> QUARTER 2015**

## Consolidated statement of changes in equity

for the period ended 31 March 2015

	Attributable to the holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	(Accumulated deficit)/retained earnings			
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	
<b>As at 31 December 2013</b>	<b>362 319</b>	-	(1 218)	(12 029)	-	(137 388)	211 684	6 378	218 062
Profit for the period	-	-	-	-	-	7 269	7 269	(11)	7 258
Other comprehensive income	-	-	140	233	-	-	373	52	425
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>233</b>	<b>-</b>	<b>7 269</b>	<b>7 642</b>	<b>41</b>	<b>7 683</b>
<b>As at 31 March 2014</b>	<b>362 319</b>	-	(1 078)	(11 796)	-	(130 119)	219 326	6 419	225 745
Loss for the period	-	-	-	-	-	(38 303)	(38 303)	(111)	(38 414)
Other comprehensive loss	-	-	387	(3 468)	-	-	(3 081)	(743)	(3 824)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>387</b>	<b>(3 468)</b>	<b>-</b>	<b>(38 303)</b>	<b>(41 384)</b>	<b>(854)</b>	<b>(42 238)</b>
Other reserves	-	-	-	-	(20 050)	-	(20 050)	-	(20 050)
Decrease of nominal value of share	(280 103)	-	-	-	-	280 103	-	-	-
Reserve of share capital denomination	(5 824)	5 824	-	-	-	-	-	-	-
<b>As at 31 December 2014</b>	<b>76 392</b>	<b>5 824</b>	<b>(691)</b>	<b>(15 264)</b>	<b>(20 050)</b>	<b>111 681</b>	<b>157 892</b>	<b>5 565</b>	<b>163 457</b>
Profit for the period	-	-	-	-	-	2 980	2 980	(5)	2 975
Other comprehensive loss	-	-	67	(2 091)	-	-	(2 024)	(593)	(2 617)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>(2 091)</b>	<b>-</b>	<b>2 980</b>	<b>956</b>	<b>(598)</b>	<b>358</b>
<b>As at 31 March 2015</b>	<b>76 392</b>	<b>5 824</b>	<b>(624)</b>	<b>(17 355)</b>	<b>(20 050)</b>	<b>114 661</b>	<b>158 848</b>	<b>4 967</b>	<b>163 815</b>



LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES  
 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE 1<sup>ST</sup> QUARTER 2015

**Consolidated statement of changes in equity (continued)**

for the period ended 31 March 2015

	Attributable to the holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	(Accumulated deficit)/retained earnings			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000			
<b>As at 31 December 2013</b>	<b>284 574</b>	-	<b>(892)</b>	<b>(22 195)</b>	-	<b>(106 370)</b>	<b>155 117</b>	<b>4 674</b>	<b>159 791</b>
Profit for the period	-	-	-	-	-	5 308	5 308	(8)	5 300
Other comprehensive loss	-	-	102	(1 123)	-	-	(1 021)	-	(1 021)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>(1 123)</b>	<b>-</b>	<b>5 308</b>	<b>4 287</b>	<b>(8)</b>	<b>4 279</b>
<b>As at 31 March 2014</b>	<b>284 574</b>	-	<b>(790)</b>	<b>(23 318)</b>	-	<b>(101 062)</b>	<b>159 404</b>	<b>4 666</b>	<b>164 070</b>
Loss for the period	-	-	-	-	-	(30 572)	(30 572)	(82)	(30 654)
Other comprehensive income	-	-	221	15 603	-	-	15 824	-	15 824
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>221</b>	<b>15 603</b>	<b>-</b>	<b>(30 572)</b>	<b>(14 748)</b>	<b>(82)</b>	<b>(14 830)</b>
Other reserves	-	-	-	-	(14 607)	-	(14 607)	-	(14 607)
Decrease of nominal value of share	(220 000)	-	-	-	-	220 000	-	-	-
Reserve of share capital denomination	(4 574)	4 574	-	-	-	-	-	-	-
<b>As at 31 December 2014</b>	<b>60 000</b>	<b>4 574</b>	<b>(569)</b>	<b>(7 715)</b>	<b>(14 607)</b>	<b>88 366</b>	<b>130 049</b>	<b>4 584</b>	<b>134 633</b>
Profit for the period	-	-	-	-	-	2 200	2 200	(4)	2 196
Other comprehensive income	-	-	(6)	14 228	-	-	14 222	-	14 222
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>14 228</b>	<b>-</b>	<b>2 200</b>	<b>16 422</b>	<b>(4)</b>	<b>16 418</b>
<b>As at 31 March 2015</b>	<b>60 000</b>	<b>4 574</b>	<b>(575)</b>	<b>6 513</b>	<b>(14 607)</b>	<b>90 566</b>	<b>146 471</b>	<b>4 580</b>	<b>151 051</b>

**LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 1<sup>ST</sup> QUARTER 2015**

## Consolidated statement of cash flows

for the period ended 31 March 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
<b>Operating activities</b>				
<b>Profit before tax</b>	<b>3 002</b>	<b>7 321</b>	<b>2 220</b>	<b>5 346</b>
<u>Adjustments for:</u>				
Depreciation and amortisation	4 098	5 072	3 683	3 704
Result on disposal of non-financial assets	(5)	20	(5)	14
Impairment loss of the fleet	2 045	13 297	1 886	9 712
Other adjustments	242	(17 363)	2 783	(12 908)
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	(914)	(1 944)	(1 143)	(1 420)
Changes in inventories	(925)	(81)	(1 008)	(59)
Changes in trade and other payables	1 823	2 021	2 645	1 476
<b>Net cash flows generated from operating activities</b>	<b>9 366</b>	<b>8 343</b>	<b>11 061</b>	<b>5 865</b>
Net cash flows generated from investing activities	(159)	1 323	(141)	975
<b>Cash flows before financing activities</b>	<b>9 207</b>	<b>9 666</b>	<b>10 920</b>	<b>6 840</b>
Net cash flows used in financing activities	(8 563)	(9 699)	(7 579)	(7 083)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>644</b>	<b>(33)</b>	<b>3 341</b>	<b>(243)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>27 925</b>	<b>36 568</b>	<b>23 001</b>	<b>26 797</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>28 569</b>	<b>36 535</b>	<b>26 342</b>	<b>26 554</b>

## **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 2014, 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 31.03.2015 EUR/USD – 1.0845 (average – 1.129774)

ECB (the European Central Bank) rate of exchange as at 31.03.2014 EUR/USD – 1.3759 (average – 1.369255)

ECB (the European Central Bank) rate of exchange as at 31.12.2014 EUR/USD – 1.2141

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

### 2. Segment information

#### Shipping segment for the period ended 31 March 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Time charter hire income	17 930	16 688	15 550	12 188
Freight income	3 840	6 967	3 548	5 088
<b>Voyage income from external customers</b>	<b>21 770</b>	<b>23 655</b>	<b>19 098</b>	<b>17 276</b>
Voyage costs	(1 844)	(4 164)	(1 738)	(3 042)
<b>Net voyage result</b>	<b>19 926</b>	<b>19 491</b>	<b>17 360</b>	<b>14 234</b>
Vessel operating costs	(6 894)	(7 518)	(6 180)	(5 491)
<b>Vessel operating profit</b>	<b>13 032</b>	<b>11 973</b>	<b>11 180</b>	<b>8 743</b>
Other revenues	212	96	187	70
Costs of sales (Vessel operating costs excluding)	(147)	(99)	(134)	(72)
Administrative expenses	(2 041)	(3 321)	(1 846)	(2 426)
Result from disposal of non-financial assets	5	(20)	5	(14)
Depreciation and amortisation	(4 097)	(5 072)	(3 682)	(3 704)
Impairment of non-financial assets	(2 045)	(13 297)	(1 886)	(9 712)
Other operating income	1	87	1	64
<b>Result before financial items</b>	<b>4 920</b>	<b>(9 653)</b>	<b>3 825</b>	<b>(7 051)</b>
Interest income	101	70	91	51
Interest expense	(2 275)	(2 844)	(2 044)	(2 077)
Finance income/(expenses), net	328	(250)	413	(183)
<b>Net result before tax</b>	<b>3 074</b>	<b>(12 677)</b>	<b>2 285</b>	<b>(9 260)</b>
<b>Segment assets</b>	<b>394 078</b>	<b>397 235</b>	<b>363 372</b>	<b>327 184</b>
Including additions to non-current assets	774	339	714	279

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

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

### 2. Segment information *(continued)*

#### Reconciliation of segment results and assets to income statement and statement of financial position for the period ended 31 March 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Net result before tax for reportable segment	3 074	(12 677)	2 285	(9 260)
Administrative expenses	(32)	(39)	(29)	(28)
Other operating income	-	20 050	-	14 643
Interest income	1	1	1	1
Interest expenses	(8)	(16)	(7)	(12)
Finance (expenses)/income, net	(33)	2	(30)	2
<b>Profit before tax</b>	<b>3 002</b>	<b>7 321</b>	<b>2 220</b>	<b>5 346</b>
	<b>31.03.2015.</b>	<b>31.12.2014.</b>	<b>31.03.2015.</b>	<b>31.12.2014.</b>
Segment assets for reportable segment	394 078	397 235	363 372	327 184
<b>Unallocated:</b>				
Investment properties	4	4	4	4
Other assets of subsidiaries not included in segment	4 551	4 586	4 197	3 778
Available-for-sale financial assets	17 856	19 990	16 465	16 465
<b>Total assets</b>	<b>416 489</b>	<b>421 815</b>	<b>384 038</b>	<b>347 431</b>

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

### 3. Related party transactions

for the period ended 31 March 2015

	2015		31.03.2015.	
	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	6 251	-	-	(921)
Technical management fee and IT services / Outstanding balances	87	-	6	-
Interest income/(expense) / Outstanding balances	1	(213)	446	(28 966)
Real estate rent / Outstanding balances	27	-	19	-
Consulting services / Outstanding balances	-	(5)	-	(7)
Other services / Outstanding balances	18	-	12	-
<b>Total</b>	<b>6 384</b>	<b>(218)</b>	<b>483</b>	<b>(29 894)</b>
Including:				
Non-current			-	(28 966)
Current			483	(7)
Deferred income			-	(921)
<b>Total</b>			<b>483</b>	<b>(29 894)</b>

	2015		31.03.2015.	
	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	5 533	-	-	(849)
Technical management fee IT services / Outstanding balances	76	-	5	-
Interest income/(expense) / Outstanding balances	1	(192)	411	(26 709)
Real estate rent / Outstanding balances	23	-	17	-
Consulting services / Outstanding balances	-	(5)	-	(6)
Other services / Outstanding balances	16	-	11	-
<b>Total</b>	<b>5 649</b>	<b>(197)</b>	<b>444</b>	<b>(27 564)</b>
Including:				
Non-current			-	(26 709)
Current			444	(6)
Deferred income			-	(849)
<b>Total</b>			<b>444</b>	<b>(27 564)</b>

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

### 3. Related party transactions *(continued)*

for the period ended 31 March 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	8 424	-	11	(61)
Technical management fee and IT services / Outstanding balances	84	-	4	-
Interest income/(expense) / Outstanding balances	2	(268)	498	(29 660)
Real estate rent / Outstanding balances	10	-	102	-
Consulting services / Outstanding balances	-	(4)	-	(3)
Other services / Outstanding balances	13	-	2	-
<b>Total</b>	<b>8 533</b>	<b>(272)</b>	<b>617</b>	<b>(29 724)</b>
Including:				
Non-current			-	(29 660)
Current			617	(3)
Deferred income			-	(61)
<b>Total</b>			<b>617</b>	<b>(29 724)</b>

	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	6 152	-	9	(50)
Technical management fee IT services / Outstanding balances	61	-	3	-
Interest income/(expense) / Outstanding balances	1	(202)	410	(24 430)
Real estate rent / Outstanding balances	7	-	84	-
Consulting services / Outstanding balances	-	(3)	-	(3)
Other services / Outstanding balances	9	-	2	-
<b>Total</b>	<b>6 230</b>	<b>(205)</b>	<b>508</b>	<b>(24 483)</b>
Including:				
Non-current			-	(24 430)
Current			508	(3)
Deferred income			-	(50)
<b>Total</b>			<b>508</b>	<b>(24 483)</b>

## **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.