

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

Unaudited Condensed Interim Consolidated Financial Statements

for the six month period 30 June 2015



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Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger (until April 27, 2015; from May 14, 2015 until July 16, 2015; from July 31, 2015)
Deputy Chairperson of the Supervisory Council	Rubil Yilmaz (until April 27, 2015; from May 14, 2015 until July 16, 2015) Boris Bednov (from July 31, 2015)
Members of the Supervisory Council:	Vladimir Egger (from April 27, 2015 until May 14, 2015; from July 16, 2015 until July 31, 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 until July 31, 2015) Artūrs Neimanis (from April 27, 2015) Aleksej Tarasov (from July 16, 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 July 31, 2015. Re-elected in the position of the member of the Supervisory Council on July 16, 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.
- Boris Bednov* Elected in the position of the Deputy Chairman of the Supervisory Council on July 31, 2015. Re-elected in the position of the member of the Supervisory Council on July 16, 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. Mendeleev University of Chemical Technology in Russia. Boris Bednov does not own any shares of JSC Latvian Shipping Company.
- Andrea Schlaepfer* Re-elected in the position of the member of the Supervisory Council on July 16, 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.Cleantnet. 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 July 16, 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 July 16, 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 July 16, 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 July 16, 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* Re-elected in the position of the member of the Supervisory Council on July 16, 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.
- Artūrs Neimanis* Re-elected in the position of the member of the Supervisory Council on July 16, 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.
- Aleksej Tarasov* Elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Aleksej 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 Aleksej Tarasov 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

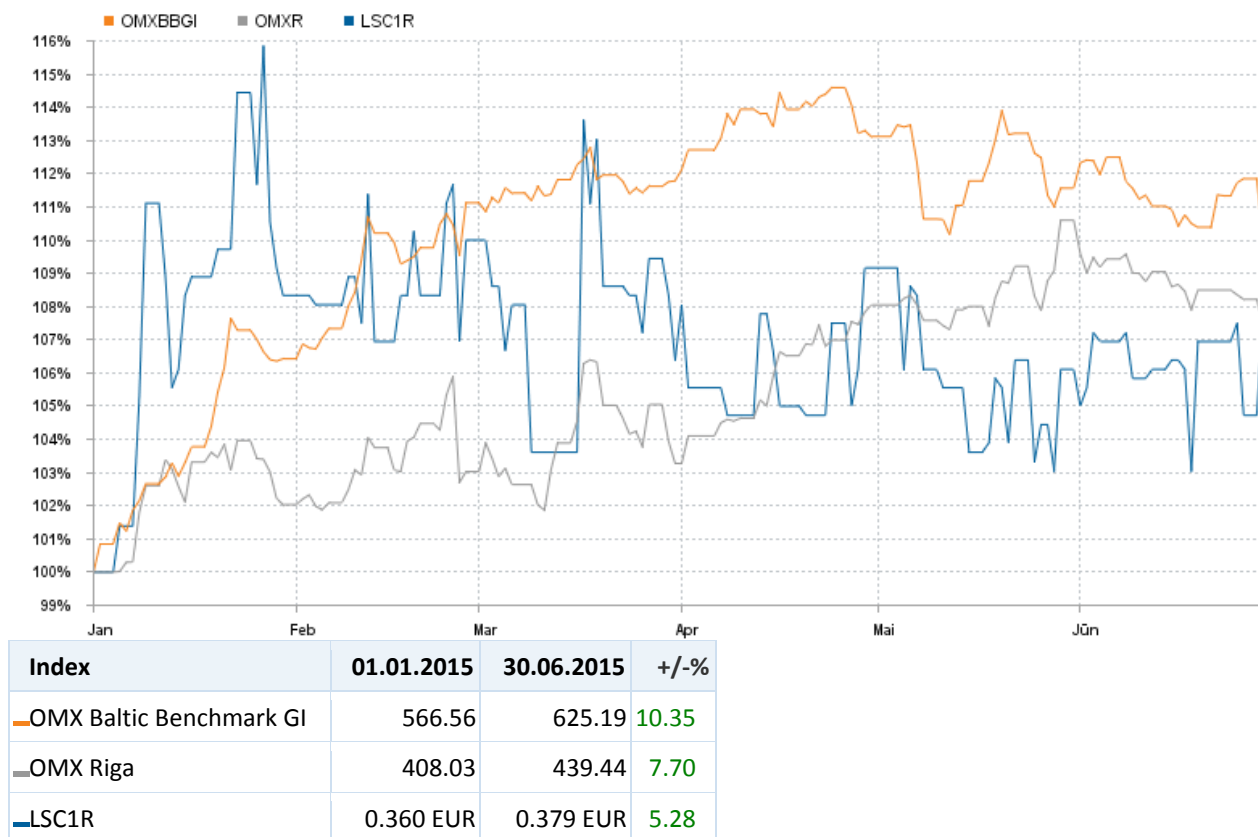
Head of Vitol Group's World Wide Shipping, employed by Vitol Group since 1988, director of the shipping company Finaval Spa since 2007, Member of the Management Board of Latvian Shipping Company since July 2010, elected for 5 years term. Paul Thomas does not own shares of JSC Latvian Shipping Company.

*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 30.06.2015



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	6M/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	0.379
Average	0.575	0.487	0.406	0.437	0.453	0.389
Traded volume	5,058,251	13,526,230	985,943	4,575,982	1,449,529	2,968,214
Turnover, million	2.89	8.32	0.38	2.15	0.66	1.16
Capitalisation, million	107.85	87.65	71.71	111.84	72.00	75.80

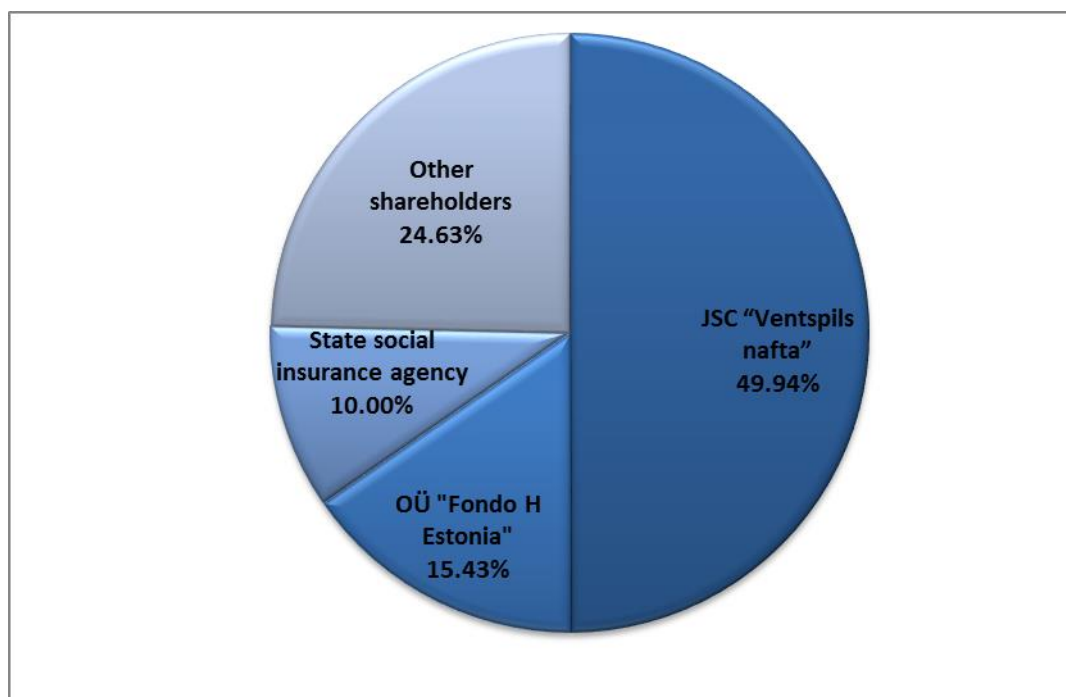
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

Review of the shares *(continued)*

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

Name	Description	Ownership interest
JSC "Ventspils nafta"	Listed company	49.94%
OÜ "Fondo H Estonia"	Private company	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

Dear shareholders and other stakeholders,

I am pleased to inform you that Latvian Shipping Company (“LSC” or “Company”) and its subsidiaries (“LSC Group” or “the Group”) reported a net profit of USD 8.85 million for the first six months of 2015 (H1 2014: USD 8.32 million loss). This improvement is due higher charter rates, a strong USD/EURO exchange rate and a reduction in the impairments recognised in respect of value of the LSC fleet to USD 2.05 million, compared with USD 22.70 million for the same period the preceding year.

Total revenues fell slightly to USD 45.81 million (H1 2014: USD 47.347 million), despite higher net voyage revenues of USD 41.00 million (H1 2014: USD 39.27 million).

Key financial indicators for LSC Group H1 2013-2015 (USD million):

	6M 2013	6M 2014	6M 2015
Sales	52.41	47.35	45.81
EBITDA	24.43	18.87	23.80
Profit before exceptionals	2.82	3.01	10.25
Exceptionals (loss/income from financial assets)	(5.40)	11.37	0.65
Exceptionals (fleet impairment)	(24.02)	(22.70)	(2.05)
Net (loss)/profit	(26.60)	(8.32)	8.85

Administrative costs fell to USD 3.41 million, predominantly due to lower legal costs (H1 2014 - USD 5.07 million) and the strong USD/EURO exchange rate; income is earned in USD, but administrative expenses are mainly in euros.

The LSC Group was cash positive for the first six months of 2015 with a net cash increase of USD 3.69 million (H1 2014: USD 1.31 million).

As at the 30 June 2015 the total value of the Group’s assets was USD 416.28 million (31 December 2014: USD 421.82 million); the slight decrease was mainly due to the depreciation of the fleet. The total value of the LSC Group’s fleet at 30 June 2015 was 335.92 million USD (31 December 2014: USD 344.00 million). The total equity value of the Group as at 30 June 2015 was USD 167.87 million (31st December 2014: USD 163.46 million).

The Group’s commercial fleet remains unchanged at sixteen vessels, but a Group subsidiary, LSC Shipmanagement Ltd, was appointed to manage two further third party tankers in Q1 2015, four vessels are now managed for third parties and the total number of vessels managed is twenty. In addition to generating additional revenues, this illustrates the competence and professionalism of LSC Group staff. The fleet’s operating profit for H1 2015 rose to USD 26.93 million (H1 2014 – USD 23.69 million) due to the aforementioned increase in charter rates.

As at 30 June 2015, 88% (fourteen vessels) of the LSC fleet were employed on period business (time-charter and bareboat charter). The average employment period for these vessels was 7.1 months. For the eleven vessels on time charter it was 6.3 months.

The LSC Group’s handy size vessels trade predominantly within Europe, and are also suitable for ice bound regions such as the Baltic and East Coast Canada. The medium range tankers, with their greater cargo carrying capacity, trade world-wide and can operate in most ice bound regions of the world.

Management report (continued)

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(A)	Q2 2015(E)
HS (4 vessels)*	10 271	11 216	12 703	13 468	13 594	14 104	14 313
MR (12 vessels)**	11 849	12 882	13 168	14 174	14 130	16 344	17 242
LR1 (1 vessel) ***	16 826	13 623	12 086	12 122	n/a	n/a	n/a

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

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

***Vessel delivered to new owner in June 2014

Explanations:

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

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

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

The product tanker market has performed better than anticipated throughout the first half of 2015. This has been reflected in both spot and time-charter earnings, an increase in which has positively impacted Group revenues. The fall in the oil price towards the end of 2014 appears to have generated increased demand for oil products. However, in the long-term the key factor is likely to be economic growth in key developing economies, as well as the OECD. This growth has at best been sluggish. Therefore it is questionable whether the demand for refined products will continue to remain as robust going forward as we have seen so far in 2015.

The Group continues with its programme of reviewing and refocusing its investments. Consequently, in Q1 the Group divested from Futbola klubs Ventspils Ltd.. In Q2, in order to increase the Group's indirect investment in JSC "Latvijas Naftas tranzīts", the Group's investment in "Skonto nafta" Ltd., was increase from 71.43% to 85.71%.

Since the end of the reporting period a number of settlements have been reached with key individuals, including former members of the Management Board and Supervisory Council. As a result, the legitimacy of the Board of LSC subsidiary "LASCO Investment" Ltd. was restored. This is the first step in the process of restoring "LASCO Investment" Ltd. to solvency and the restitution of the properties owned by "LASCO Investment" Ltd. and its subsidiaries.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 20 August 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 30 June 2015, changes in shareholders' equity, cash flows and the results of the Group for the six month period ended 30 June 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

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 20 August 2015

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

Consolidated income statement

for the period ended 30 June 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Voyage income	45 299	47 142	40 469	34 392
Income from other services	512	205	460	150
Revenue	45 811	47 347	40 929	34 542
Voyage costs	(4 300)	(7 874)	(3 957)	(5 756)
Cost of sales	(24 084)	(25 563)	(21 732)	(18 724)
Gross profit	17 427	13 910	15 240	10 062
Administrative expenses	(3 580)	(5 261)	(3 238)	(3 805)
Impairment of non-financial assests	(2 045)	(22 697)	(1 886)	(16 565)
Other operating income	782	20 330	1 738	14 812
Other operating expenses	-	(8 684)	-	(6 376)
Operating profit/(loss)	12 584	(2 402)	11 854	(1 872)
Finance income	1 164	183	1 162	134
Finance costs	(4 794)	(5 973)	(4 323)	(4 356)
Profit/(loss) before tax	8 954	(8 192)	8 693	(6 094)
Income tax	(101)	(127)	(90)	(93)
Profit/(loss) for the period	8 853	(8 319)	8 603	(6 187)
Attributable to:				
Equity holders of the parent	8 860	(8 194)	8 609	(6 096)
Non-controlling interests	(7)	(125)	(6)	(91)
	8 853	(8 319)	8 603	(6 187)
Profit/(loss) per share	US \$ 0.04	US \$ (0.04)	EUR 0.04	EUR (0.03)

The amounts translated into Euro in these financial statements as at and for the period ended is presented for information purposes only and have been computed on the basis set forth in Note 1 to the accompanying financial statements.

Consolidated statement of comprehensive income

for the period ended 30 June 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Profit/(loss) for the period	8 853	(8 319)	8 603	(6 187)
Other comprehensive income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(2 113)	(69)	9 726	343
Net movement on cash flow hedges	184	216	114	157
Other comprehensive (loss)/income for the period, net of tax	(1 929)	147	9 840	500
Total comprehensive income/(loss) for the period, net of tax	6 924	(8 172)	18 443	(5 687)
Attributable to:				
Equity holders of the parent	7 430	(8 034)	18 449	(5 596)
Non-controlling interests	(506)	(138)	(6)	(91)
	6 924	(8 172)	18 443	(5 687)

The amounts translated into Euro in these financial statements as at and for the period ended is presented for information purposes only and have been computed on the basis set forth in Note 1 to the accompanying financial statements.

Consolidated statement of financial position

as at 30 June 2015

	30.06.2015. US \$'000	31.12.2014. US \$'000	30.06.2015. EUR'000	31.12.2014. EUR'000
Assets				
Non-current assets				
Intangible assets	9	16	8	13
Fleet	335 921	343 997	301 735	283 335
Property, plant and equipment	2 628	2 814	2 360	2 318
Investment properties	4	4	4	4
Other non-current financial assets	22 566	24 226	20 270	19 954
Total non-current assets	361 128	371 057	324 377	305 624
Current assets				
Inventories	2 352	1 575	2 113	1 297
Trade and other receivables	2 341	2 312	2 103	1 904
Prepayments	816	737	733	607
Other current financial assets <i>including deposits with maturity more than three months</i>	18 025	18 209	16 190	14 998
	17 700	17 650	15 899	14 538
Cash and cash equivalents	31 615	27 925	28 398	23 001
Total current assets	55 149	50 758	49 537	41 807
Total assets	416 277	421 815	373 914	347 431

The amounts translated into Euro in these financial statements as at and for the period ended is presented for information purposes only and have been computed on the basis set forth in Note 1 to the accompanying financial statements.

Consolidated statement of financial position *(continued)*

as at 30 June 2015

	30.06.2015. US \$'000	31.12.2014. US \$'000	30.06.2015. EUR'000	31.12.2014. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	120 541	111 681	96 975	88 366
Other components of equity	(31 611)	(30 181)	(8 477)	(18 317)
Equity attributable to equity holders of the parent	165 322	157 892	148 498	130 049
Non-controlling interests	2 546	5 565	2 287	4 584
Total equity	167 868	163 457	150 785	134 633
Non-current liabilities				
Interest bearing loans	176 715	189 649	158 731	156 205
Derivative financial instruments	58	145	52	119
Trade and other payables	29 388	29 661	26 397	24 431
Deferred tax liabilities	100	109	90	90
Total non-current liabilities	206 261	219 564	185 270	180 845
Current liabilities				
Trade and other payables	12 618	9 612	11 333	7 916
Interest bearing loans	25 867	25 867	23 236	21 306
Derivative financial instruments	515	619	463	510
Deferred income	3 148	2 696	2 827	2 221
Total current liabilities	42 148	38 794	37 859	31 953
Total equity and liabilities	416 277	421 815	373 914	347 431

The amounts translated into Euro in these financial statements as at and for the period ended is presented for information purposes only and have been computed on the basis set forth in Note 1 to the accompanying financial statements.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

Consolidated statement of changes in equity

for the period ended 30 June 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			
As at 31 December 2013	362 319	-	(1 218)	(12 029)	-	(137 388)	211 684	6 378	218 062
Loss for the period	-	-	-	-	-	(8 194)	(8 194)	(125)	(8 319)
Other comprehensive income	-	-	216	(56)	-	-	160	(13)	147
Total comprehensive loss	-	-	216	(56)	-	(8 194)	(8 034)	(138)	(8 172)
As at 30 June 2014	362 319	-	(1 002)	(12 085)	-	(145 582)	203 650	6 240	209 890
Loss for the period	-	-	-	-	-	(22 840)	(22 840)	3	(22 837)
Other comprehensive loss	-	-	311	(3 179)	-	-	(2 868)	(678)	(3 546)
Total comprehensive loss	-	-	311	(3 179)	-	(22 840)	(25 708)	(675)	(26 383)
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	-	-	-	-	-	-	-
As at 31 December 2014	76 392	5 824	(691)	(15 264)	(20 050)	111 681	157 892	5 565	163 457
Profit for the period	-	-	-	-	-	8 860	8 860	(7)	8 853
Other comprehensive loss	-	-	184	(1 614)	-	-	(1 430)	(499)	(1 929)
Total comprehensive income	-	-	184	(1 614)	-	8 860	7 430	(506)	6 924
Decrease in non-controlling interests	-	-	-	-	-	-	-	(2 513)	(2 513)
As at 30 June 2015	76 392	5 824	(507)	(16 878)	(20 050)	120 541	165 322	2 546	167 868

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

Consolidated statement of changes in equity (continued)

for the period ended 30 June 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			
As at 31 December 2013	284 574	-	(892)	(22 195)	-	(106 370)	155 117	4 674	159 791
Loss for the period	-	-	-	-	-	(6 096)	(6 096)	(91)	(6 187)
Other comprehensive income	-	-	157	343	-	-	500	-	500
Total comprehensive loss	-	-	157	343	-	(6 096)	(5 596)	(91)	(5 687)
As at 30 June 2014	284 574	-	(735)	(21 852)	-	(112 466)	149 521	4 583	154 104
Loss for the period	-	-	-	-	-	(19 168)	(19 168)	1	(19 167)
Other comprehensive income	-	-	166	14 137	-	-	14 303	-	14 303
Total comprehensive loss	-	-	166	14 137	-	(19 168)	(4 865)	1	(4 864)
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	-	-	-	-	-	-	-
As at 31 December 2014	60 000	4 574	(569)	(7 715)	(14 607)	88 366	130 049	4 584	134 633
Profit for the period	-	-	-	-	-	8 609	8 609	(6)	8 603
Other comprehensive income	-	-	114	9 726	-	-	9 840	-	9 840
Total comprehensive income	-	-	114	9 726	-	8 609	18 449	(6)	18 443
Decrease in non-controlling interests	-	-	-	-	-	-	-	(2 291)	(2 291)
As at 30 June 2015	60 000	4 574	(455)	2 011	(14 607)	96 975	148 498	2 287	150 785

Consolidated statement of cash flows

for the period ended 30 June 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Operating activities				
Profit/(loss) before tax	8 954	(8 192)	8 693	(6 094)
<u>Adjustments for:</u>				
Depreciation and amortisation	9 822	9 938	8 869	7 268
Result on disposal of non-financial assets	(5)	340	(5)	250
Impairment loss of the fleet	2 045	22 697	1 886	16 565
Other adjustments	621	(6 496)	1 465	(4 601)
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	(108)	(1 844)	(325)	(1 345)
Changes in inventories	(777)	(543)	(816)	(396)
Changes in trade and other payables	3 651	1 274	4 010	930
Net cash flows generated from operating activities	24 203	17 174	23 777	12 577
Net cash flows generated from investing activities	(3 440)	13 642	(3 100)	9 964
Cash flows before financing activities	20 763	30 816	20 677	22 541
Net cash flows used in financing activities	(17 073)	(29 504)	(15 280)	(21 526)
Net increase in cash and cash equivalents	3 690	1 312	5 397	1 015
Cash and cash equivalents at the beginning of the period	27 925	36 568	23 001	26 797
Cash and cash equivalents at the end of the period	31 615	37 880	28 398	27 812

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 30.06.2015 EUR/USD – 1.1133 (average – 1.117339)

ECB (the European Central Bank) rate of exchange as at 30.06.2014 EUR/USD – 1.3620 (average – 1.370615)

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 30 June 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Time charter hire income	34 199	32 858	30 343	23 979
Freight income	11 100	14 284	10 126	10 413
Voyage income from external customers	45 299	47 142	40 469	34 392
Voyage costs	(4 300)	(7 874)	(3 957)	(5 756)
Net voyage result	40 999	39 268	36 512	28 636
Vessel operating costs	(14 072)	(15 579)	(12 688)	(11 384)
Vessel operating profit	26 927	23 689	23 824	17 252
Other revenues	512	205	460	150
Costs of sales (Vessel operating costs excluding)	(272)	(160)	(248)	(156)
Administrative expenses	(3 410)	(5 067)	(3 086)	(3 663)
Result from disposal of non-financial assets	5	(340)	5	(250)
Depreciation and amortisation	(9 821)	(9 937)	(8 868)	(7 267)
Impairment of non-financial assets	(2 045)	(22 697)	(1 886)	(16 565)
Other operating income	132	280	1 148	205
Result before financial items	12 028	(14 027)	11 349	(10 294)
Interest income	208	159	188	116
Interest expense	(4 544)	(5 622)	(4 091)	(4 112)
Finance income/(expenses), net	736	(319)	779	(221)
Net result before tax	8 428	(19 809)	8 225	(14 511)
Segment assets	393 596	397 235	353 540	327 184
Including additions to non-current assets	3 835	339	3 445	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 30 June 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Net result before tax for reportable segment	8 428	(19 809)	8 225	(14 511)
Administrative expenses	(89)	(81)	(80)	(59)
Other operating income	645	20 050	585	14 607
Other operating expenses	-	(8 344)	-	(6 126)
Interest income	2	24	2	18
Interest expenses	(6)	(31)	(16)	(23)
Finance expenses, net	(26)	(1)	(23)	-
Profit before tax	8 954	(8 192)	8 693	(6 094)
	30.06.2015.	31.12.2014.	30.06.2015.	31.12.2014.
Segment assets for reportable segment	393 596	397 235	353 540	327 184
Unallocated:				
Investment properties	4	4	4	4
Other assets of subsidiaries not included in segment	4 347	4 586	3 905	3 778
Available-for-sale financial assets	18 330	19 990	16 465	16 465
Total assets	416 277	421 815	373 914	347 431

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

3. Related party transactions

for the period ended 30 June 2015

	2015		30.06.2015.	
	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	13 796	-	353	(1 131)
Technical management fee and IT services / Outstanding balances	175	-	6	-
Interest income/(expense) / Outstanding balances	2	(431)	230	(29 387)
Real estate rent / Outstanding balances	54	-	12	-
Consulting services / Outstanding balances	-	(8)	-	(3)
Other services / Outstanding balances	27	-	7	-
Total	14 054	(439)	608	(30 521)
Including:				
Non-current			-	(29 387)
Current			608	(3)
Deferred income			-	(1 131)
Total			608	(30 521)

	2015		30.06.2015.	
	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	12 348	-	317	(1 016)
Technical management fee IT services / Outstanding balances	156	-	5	-
Interest income/(expense) / Outstanding balances	2	(387)	206	(26 396)
Real estate rent / Outstanding balances	49	-	10	-
Consulting services / Outstanding balances	-	(7)	-	(3)
Other services / Outstanding balances	24	-	6	-
Total	12 579	(394)	544	(27 415)
Including:				
Non-current			-	(26 396)
Current			544	(3)
Deferred income			-	(1 016)
Total			544	(27 415)

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

3. Related party transactions *(continued)*

for the period ended 30 June 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	15 947	-	11	(61)
Technical management fee and IT services / Outstanding balances	168	-	4	-
Interest income/(expense) / Outstanding balances	4	(541)	498	(29 660)
Real estate rent / Outstanding balances	34	-	102	-
Consulting services / Outstanding balances	-	(32)	-	(3)
Other services / Outstanding balances	21	-	2	-
Total	16 174	(573)	617	(29 724)
Including:				
Non-current			-	(29 660)
Current			617	(3)
Deferred income			-	(61)
Total			617	(29 724)

	2014		31.12.2014.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	11 635	-	9	(50)
Technical management fee IT services / Outstanding balances	123	-	3	-
Interest income/(expense) / Outstanding balances	3	(395)	410	(24 430)
Real estate rent / Outstanding balances	25	-	84	-
Consulting services / Outstanding balances	-	(23)	-	(3)
Other services / Outstanding balances	16	-	2	-
Total	11 802	(418)	508	(24 483)
Including:				
Non-current			-	(24 430)
Current			508	(3)
Deferred income			-	(50)
Total			508	(24 483)

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

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.