

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

Unaudited Condensed Consolidated Financial Statements

for the year ended 31 December 2015



LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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
Consolidated income statement.....	15
Consolidated statement of comprehensive income.....	16
Consolidated statement of financial position.....	17
Consolidated statement of changes in equity.....	19
Consolidated statement of cash flows.....	21
Notes to the unaudited condensed consolidated financial statements.....	22

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. Mendeleyev 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.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. 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 "Ventpils 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 Ventpils 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 31.12.2015



Index	01.01.2015	31.12.2015	+/-%
—OMX Baltic Benchmark GI	566.56	648.32	14.43
—OMX Riga	408.03	594.35	45.66
—LSC1R	0.360 EUR	0.438 EUR	21.67

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	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	0.649
Low	0.484	0.428	0.289	0.327	0.352	0.360
Last	0.539	0.438	0.359	0.559	0.360	0.438
Average	0.575	0.487	0.406	0.437	0.453	0.399
Traded volume	5,058,251	13,526,230	985,943	4,575,982	1,449,529	13,160,987
Turnover, million	2.89	8.32	0.38	2.15	0.66	5.25
Capitalisation, million	107.85	87.65	71.71	111.84	72.00	87.60

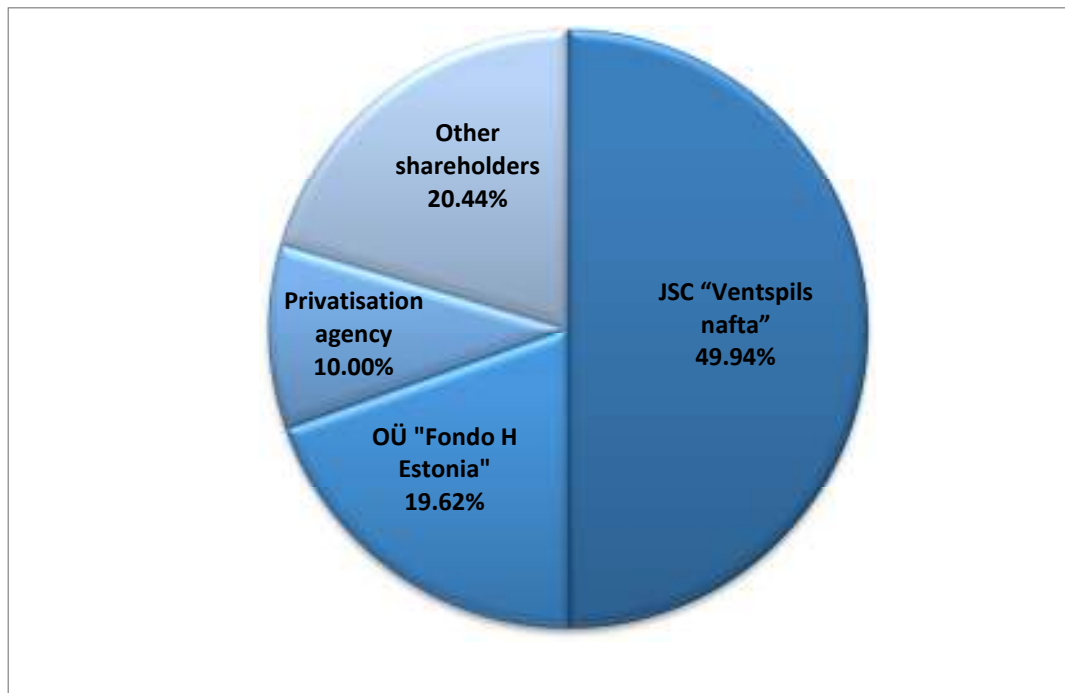
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

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	19.62%
Privatisation agency	Government institution	10.00%

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



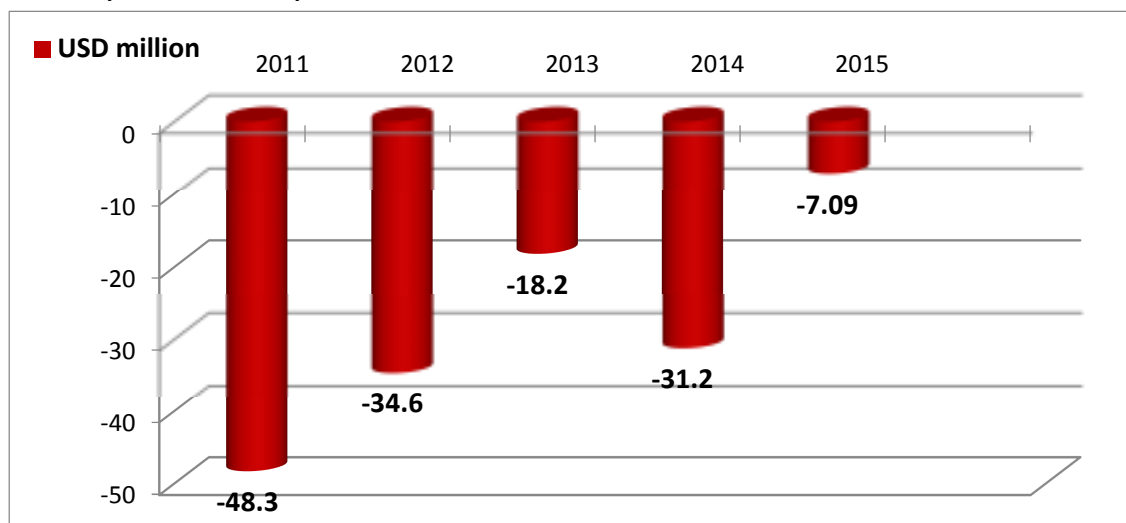
Management report

Dear shareholders and other stakeholders,

The unaudited consolidated financial result of Latvian Shipping Company (hereafter – LSC or Company) and its subsidiaries (hereafter – LSC Group or Group) for 2015 is a loss of 7.09 million USD. This is primarily due to a loss arising from the reconsolidation of SIA “LASCO Investment” group (hereafter – LASCO Investment) and subsequent write down of the real estate asset values owned by LASCO Investment with total negative financial effect in the amount of USD 22.74 million. In 2014 LSC Group suffered a loss in the amount of USD 31.16 million.

2015 was important year for the Company as a series of settlement agreements were signed with a number of individuals, including Former Management Board and Supervisory Council members thus terminating unwanted disputes and allowing the Group to concentrate on its core business.

LSC Group net loss for the period 01.01.2011. – 31.12.2015.:



In 2015 the LSC Group achieved a positive result from chartering and other activities achieving a net profit before tax and exceptionals of 18.85 million USD, 6.17 million USD more than in the previous reporting period. EBITDA was 46.63 million USD, 7.04 million USD more than in 2014.

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

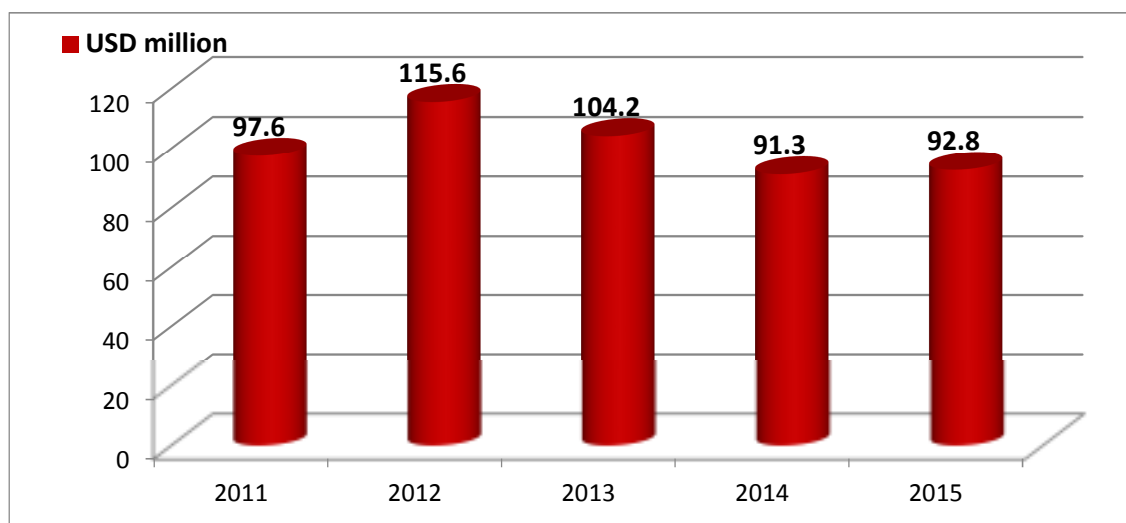
	2011	2012	2013	2014	2015
Turnover (million USD)	97.58	115.56	104.21	91.29	92.84
Net loss (million USD)	-48.27	-34.60	-18.15	-31.16	-7.09
Gross profit before depreciation (million USD)	41.58	52.22	54.32	46.57	53.81
<i>% of turnover</i>	42.61%	45.19%	52.13%	51.01%	57.96%
EBITDA (million USD)	26.84	40.99	47.33	39.59	46.63
<i>% of turnover</i>	27.51%	35.47%	45.42%	43.37%	50.22%
EBIT (million USD)	0.53	12.51	24.43	20.85	26.68
<i>% of turnover</i>	0.54%	10.83%	23.44%	22.84%	28.73%
Profit before tax and exceptionals (million USD)	-19.63	-6.21	9.00	12.68	18.85
<i>% of turnover</i>	-20.12%	-5.37%	8.64%	13.89%	20.30%
Return on Assets (%)	-7.20%	-5.70%	-3.22%	-6.62%	-1.69%
Return on Equity (%)	-16.60%	-14.20%	-8.00%	-16.33%	-4.53%
EPS (USD)	-0.24	-0.18	-0.09	-0.16	-0.03
Liquidity ratio (quick)	2.2	1.5	1.5	1.3	0.8
P/E ratio	n/a	n/a	n/a	n/a	n/a

Management report (continued)

There was no change in the LSC Group's commercial fleet of sixteen vessels during 2015, however the LSC subsidiary "LSC Shipmanagement" Ltd was managing an additional four third-party tankers, bringing the total to twenty vessels. In the first half of 2016, LSC Shipmanagement" Ltd will add three newly built oil and chemical tankers under technical management. The first of the three ships was received in January. The next addition to the fleet is expected in April and in May. The increase in the technical management of third-party vessels is testament to the competency and professionalism of LSC Group staff and is generating additional income for the Group.

At the end of the reporting period 88% (fourteen vessels) of the LSC Group's fleet were employed on period business (time-charter). The average employment period for the portion of the fleet on time charter plus bareboat charter as at the end of reporting period was 7.2 months.

LSC Group turnover for the period 01.01.2011. – 31.12.2015.



The LSC Group turnover mainly consisted of income from the fleet as well as a small portion of income generated from third party tanker technical management and real estate rent. The total income of the fleet for 2015 was 91.44 million USD, similar to the previous year (2014: 90.71 million USD).

During 2015 the LSC Group recorded positive cash flow and as at 31st December 2015 the Group had cash and deposits with maturity up to twelve months in the amount of 52.69 million USD, which is 7.11 million USD more than at the beginning of 2015. This was achieved due to positive cash flow from shipping activities as well as from the sale of non-shipping assets. LSC Group sold its indirect interest in AS "Latvijas Naftas tranzīts" (LNT) to AS "Ventbunkers" via its subsidiary SIA "Skonto nafta" which held a 16% stake in LNT. The value of the transaction was 15.40 million EUR, including the repayment of a loan to the amount of 2.10 million EUR, previously issued to SIA "Skonto nafta" by LNT. In addition, one of real estate assets owned by SIA "LASCO Investment" – Ventspils sports hall was sold. The sales process of other properties was initiated and will be continued, in line with LSC Group's corporate strategy.

Persistent optimisation of administrative costs throughout 2015 resulted in savings in the amount of 1.23 million USD (2015: 7.21 million USD versus 2014: 8.44 million USD).

At 31st December 2015 the total of the LSC Group assets was 417.08 million USD. The figure at 31st December 2014 was 421.82 million USD. The decrease in Group assets is mainly attributable to depreciation of the fleet, however asset value was positively affected by reconsolidation of real estate properties owned by LASCO Investment. The total equity of the Group at 31st December 2015 was 149.85 million USD (31st December 2014: 163.46 million USD).

Management report (continued)

The LSC Group fleet's net voyage result for 2015 was 82.56 million USD, up by 5.12 million USD due to higher charter rates (2014: 77.44 million USD). The net voyage result is a more comparable indicator of fleet performance, rather than total income, as it is calculated by deducting voyage costs from voyage income and shows the Group's result, irrespective of whether the fleet is employed in the spot or time charter market. The fleet operating profit for 2015 before depreciation and dry-dock amortisation was 52.40 million USD; improvement of 6.12 million USD (2014: 46.28 million USD).

LSC continues to release average quarterly TCE (Time charter equivalent) rates achieved by LSC Group's fleet:

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

Fleet	Y 2011	Y 2012	Y 2013	Y2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
HS (4 vessels)*	11 216	12 703	13 468	13 594	14 104	14 313	14 407	14 407
MR (12 vessels)**	12 882	13 168	14 174	14 130	16 344	17 213	15 843	16 174
LR1 (1 vessel) ***	13 623	12 086	12 122	n/a	n/a	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.

Market overview

The product tanker market, unlike most other non-oil related shipping sectors, continued to enjoy positive earnings throughout 2015. The steady decline in the price of crude oil stimulated unexpected additional demand for refined products. In particular, gasoline consumption increased strongly in the world's two largest economies; the USA and China. This environment was especially advantageous for refineries, which benefited from positive refining margins throughout the year as a consequence of purchasing competitively priced crude oil and selling highly priced premium products.

However, increased runs to maximise gasoline production also created additional excess products, for example middle distillates. This further increased the need for seaborne transportation. The demands placed on shipping were further supported given the flow of refined oil from the more efficient refineries in the Middle East and India to the western markets thereby increasing tonne miles; always an indicator of higher shipping rates.

As we move into 2016 the expectations for the products tanker market look far from clear. The current worldwide macro environment remains fragile both economically and politically, with China a particular concern. We are in a supply rather than a demand driven environment and the considered view is that the world cannot consume the volume of crude oil currently coming to market, thus global stock builds are likely to continue through to the second half of the year.

Management report (continued)

Refineries particularly in the USA are increasing their gasoline yield in the production process at the expense of other products thereby increasing their self-sufficiency. This negates the need for as much imported gasoline as we saw in 2015 thereby potentially depressing demand for tankers. At the same time, global demand growth for refined products is weakening resulting in refining margins being squeezed with a risk that less efficient refineries, especially in Europe, may once again face closure or, at the very least, need to decrease runs. This would reduce gasoline exports from the region; another bearish development for the products tanker segment.

The direction of the price of crude oil is in the hands of OPEC and non-OPEC oil exporting countries with Saudi Arabia being the most influential party. Currently the Saudi government is focused on preserving market share which, most observers believe, will keep oil prices low for some time to come. But whatever the outcome, a demand rather than a supply led oil market is crucial for the product tanker segment to perform and it is far from clear that we will see this in 2016.

As well as the above potential bearish economic scenario we should also note that 14pct of the existing Medium Range tanker fleet is currently on order with approximately 9pct to be delivered throughout 2016 alone. With such an increase in the product tanker fleet it is almost inevitable that, given the current worldwide economic environment, that there will be a retracement in earnings for product tanker owners in 2016.

It continues to be the management board's priority to ensure that guaranteed earnings are prioritised by continuing its policy of focusing predominantly on time charter contracts as opposed to trading our vessels on the more uncertain and volatile spot market ;especially given the uncertain economic environment we are likely to encounter. We believe that this policy gives a greater visibility of vessel earnings and allows the company to budget more efficiently for its cost base and debt obligations especially with its ship lending bank syndicate.

Share performance

During 2015 the price of LSC shares quoted on the NASDAQ Riga experienced an increase of 21.67%. The OMX Baltic Benchmark GI index in 2015 increased by 14.43%. There were 1,917 trades of Latvian Shipping Company's shares during 2015 involving 13.16 million shares worth 5.25 million EUR which is 38% of the total share turnover and 9% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31st December 2015 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 87.60 million EUR.

Future prospects

LSC management continues to work on possible scenario to increase in the company's share capital in order to cover shipping debt obligations becoming due in 2016/2017. Supervisory council and shareholder meeting clearance would be required.

In 2016 LSC Group will also continue the disposal of non-core assets to help meet financial obligations and maintain its focus on its core business.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 19 February 2016

Statement of Management's Responsibilities

The Management Board of JSC "Latvian Shipping Company" prepares condensed consolidated financial statements for each reporting period. These condensed consolidated financial statements give a true and fair view of the state of affairs of the JSC "Latvian Shipping Company" and its subsidiaries (hereafter – the Group) as at 31 December 2015, changes in shareholders' equity, cash flows and the results of the Group for the year ended 31 December 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, 19 February 2016

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated income statement

for the period ended 31 December 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Voyage income	91 435	90 711	82 217	68 147
Income from other services	1 408	577	1 274	443
Revenue	92 843	91 288	83 491	68 590
Voyage costs	(8 879)	(13 270)	(8 117)	(9 990)
Cost of sales	(50 710)	(49 969)	(45 949)	(37 851)
Gross profit	33 254	28 049	29 425	20 749
Administrative expenses	(7 211)	(8 437)	(6 530)	(6 274)
Impairment of non-financial assests	(21 221)	(55 247)	(18 906)	(42 942)
Other operating income	1 933	21 840	2 772	15 980
Other operating expenses	(5 802)	(8 856)	(5 180)	(6 517)
Operating profit/(loss)	953	(22 651)	1 581	(19 004)
Finance income	1 565	2 839	1 438	2 234
Finance costs	(9 392)	(11 012)	(8 508)	(8 323)
Loss before tax	(6 874)	(30 824)	(5 489)	(25 093)
Income tax	(216)	(332)	(192)	(261)
Loss for the period	(7 090)	(31 156)	(5 681)	(25 354)
Attributable to:				
Equity holders of the parent	(6 962)	(31 034)	(5 567)	(25 264)
Non-controlling interests	(128)	(122)	(114)	(90)
	(7 090)	(31 156)	(5 681)	(25 354)
Loss per share	US \$ (0.03)	US \$ (0.16)	EUR(0.03)	EUR (0.13)

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of comprehensive income

for the period ended 31 December 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Loss for the period	<u>(7 090)</u>	<u>(31 156)</u>	<u>(5 681)</u>	<u>(25 354)</u>
Other comprehensive income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(2 040)	(3 926)	12 788	14 480
Net movement on cash flow hedges	<u>473</u>	<u>527</u>	<u>368</u>	<u>323</u>
Other comprehensive (loss)/income for the period, net of tax	(1 567)	(3 399)	13 156	14 803
Total comprehensive (loss)/income for the period, net of tax	<u>(8 657)</u>	<u>(34 555)</u>	<u>7 475</u>	<u>(10 551)</u>
Attributable to:				
Equity holders of the parent	(8 046)	(33 742)	7 589	(10 461)
Non-controlling interests	<u>(611)</u>	<u>(813)</u>	<u>(114)</u>	<u>(90)</u>
	<u>(8 657)</u>	<u>(34 555)</u>	<u>7 475</u>	<u>(10 551)</u>

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of financial position

as at 31 December 2015

	31.12.2015. US \$'000	31.12.2014. US \$'000	31.12.2015. EUR'000	31.12.2014. EUR'000
Assets				
Non-current assets				
Intangible assets	12	16	11	13
Fleet	328 491	343 997	301 728	283 335
Property, plant and equipment	2 560	2 814	2 352	2 318
Investment properties	27 917	4	25 643	4
Other non-current financial assets	317	24 226	291	19 954
Total non-current assets	359 297	371 057	330 025	305 624
Current assets				
Inventories	2 362	1 575	2 169	1 297
Trade and other receivables	2 193	2 312	2 014	1 904
Prepayments	529	737	485	607
Other current financial assets <i>including deposits with maturity more than three months</i>	30 710	18 209	28 208	14 998
	30 700	17 650	28 199	14 538
Cash and cash equivalents	21 987	27 925	20 195	23 001
Total current assets	57 781	50 758	53 071	41 807
Total assets	417 078	421 815	383 096	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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of financial position (continued)

as at 31 December 2015

	31.12.2015. US \$'000	31.12.2014. US \$'000	31.12.2015. EUR'000	31.12.2014. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	104 719	111 681	82 799	88 366
Other components of equity	(31 265)	(30 181)	(5 161)	(18 317)
Equity attributable to equity holders				
of the parent	149 846	157 892	137 638	130 049
Non-controlling interests	-	5 565	-	4 584
Total equity	149 846	163 457	137 638	134 633
Non-current liabilities				
Interest bearing loans	131 647	189 649	120 922	156 205
Derivative financial instruments	-	145	-	119
Trade and other payables	63 186	29 661	58 037	24 431
Deferred tax liabilities	1 918	109	1 762	90
Total non-current liabilities	196 751	219 564	180 721	180 845
Current liabilities				
Trade and other payables	8 644	9 612	7 939	7 916
Interest bearing loans	57 964	25 867	53 241	21 306
Derivative financial instruments	281	619	258	510
Deferred income	3 592	2 696	3 299	2 221
Total current liabilities	70 481	38 794	64 737	31 953
Total equity and liabilities	417 078	421 815	383 096	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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of changes in equity

for the period ended 31 December 2015

	Attributable to the holders of the parent						Non-controlling interests	Total equity	
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Retained earnings			Total
	US \$'000	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	-	-	-	-	-	(31 034)	(31 034)	(122)	(31 156)
Other comprehensive loss	-	-	527	(3 235)	-	-	(2 708)	(691)	(3 399)
Total comprehensive loss	-	-	527	(3 235)	-	(31 034)	(33 742)	(813)	(34 555)
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
Loss for the period	-	-	-	-	-	(6 962)	(6 962)	(128)	(7 090)
Other comprehensive loss	-	-	473	(1 557)	-	-	(1 084)	(483)	(1 567)
Total comprehensive loss	-	-	473	(1 557)	-	(6 962)	(8 046)	(611)	(8 657)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(4 954)	(4 954)
As at 31 December 2015	76 392	5 824	(218)	(16 821)	(20 050)	104 719	149 846	-	149 846

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of changes in equity (continued)

for the period ended 31 December 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	-	-	-	-	-	(25 264)	(25 264)	(90)	(25 354)
Other comprehensive income	-	-	323	14 480	-	-	14 803	-	14 803
Total comprehensive loss	-	-	323	14 480	-	(25 264)	(10 461)	(90)	(10 551)
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
Loss for the period	-	-	-	-	-	(5 567)	(5 567)	(114)	(5 681)
Other comprehensive income	-	-	368	12 788	-	-	13 156	-	13 156
Total comprehensive income	-	-	368	12 788	-	(5 567)	7 589	(114)	7 475
Decrease in non-controlling interests	-	-	-	-	-	-	-	(4 470)	(4 470)
As at 31 December 2015	60 000	4 574	(201)	5 073	(14 607)	82 799	137 638	-	137 638

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated statement of cash flows

for the period ended 31 December 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Operating activities				
Loss before tax	(6 874)	(30 824)	(5 489)	(25 093)
Adjustments for:				
Depreciation and amortisation	19 948	18 735	18 067	14 164
Result on disposal of non-financial assets	(272)	(207)	(240)	(162)
Impairment loss of the fleet	2 395	55 247	2 198	42 942
Impairment loss of the goodwill	18 826	-	16 708	-
Other adjustments	10 475	(4 377)	11 186	(724)
Working capital adjustments:				
Changes in trade and other receivables and prepayments	327	2 614	12	1 636
Changes in inventories	(787)	1 709	(872)	1 109
Changes in trade and other payables	2 452	(2 156)	3 180	(479)
Net cash flows generated from operating activities	46 490	40 741	44 750	33 393
Net cash flows (used in)/ generated from investing activities	(5 293)	1 062	(5 115)	895
Cash flows before financing activities	41 197	41 803	39 635	34 288
Net cash flows used in financing activities	(47 135)	(50 446)	(42 441)	(38 084)
Net decrease in cash and cash equivalents	(5 938)	(8 643)	(2 806)	(3 796)
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	21 987	27 925	20 195	23 001

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 31.12.2015 EUR/USD – 1.0887 (average – 1.110611)

ECB (the European Central Bank) rate of exchange as at 31.12.2014 EUR/USD – 1.2141 (average – 1.329065)

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

2. Segment information

Shipping segment for the period ended 31 December 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Time charter hire income	69 265	66 044	62 043	49 574
Freight income	22 170	24 667	20 174	18 573
Voyage income from external customers	91 435	90 711	82 217	68 147
Voyage costs	(8 879)	(13 270)	(8 117)	(9 990)
Net voyage result	82 556	77 441	74 100	58 157
Vessel operating costs	(30 154)	(31 158)	(27 326)	(23 591)
Vessel operating profit	52 402	46 283	46 774	34 566
Other revenues	1 166	577	1 053	443
Costs of sales (Vessel operating costs excluding)	(631)	(292)	(576)	(259)
Administrative expenses	(6 831)	(8 065)	(6 186)	(5 993)
Result from disposal of non-financial assets	5	207	5	162
Depreciation and amortisation	(19 749)	(18 733)	(17 885)	(14 162)
Impairment of non-financial assets	(2 395)	(55 247)	(2 198)	(42 942)
Other operating income	677	1 238	1 648	957
Other operating expenses	(1 020)	-	(932)	-
Result before financial items	23 624	(34 032)	21 703	(27 228)
Interest income	334	457	302	348
Interest expense	(8 895)	(10 467)	(8 063)	(7 911)
Finance income, net	812	1 922	763	1 539
Net result before tax	15 875	(42 120)	14 705	(33 252)
Segment assets	388 669	397 235	357 001	327 184
Including additions to non-current assets	6 643	339	5 982	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.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Notes to the unaudited condensed consolidated financial statements (continued)

2. Segment information (continued)

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

	2015	2014	2015	2014
	US \$'000	US \$'000	EUR'000	EUR'000
Net result before tax for reportable segment	15 875	(42 120)	14 705	(33 252)
Other revenues	242	-	221	-
Costs of sales	(357)	-	(326)	-
Administrative expenses	(199)	(158)	(180)	(120)
Result from disposal of non-financial assets	267	-	235	-
Impairment of non-financial assets	(18 826)	-	(16 708)	-
Other operating income	984	20 050	884	14 607
Other operating expenses	(4 782)	(8 511)	(4 248)	(6 263)
Interest income	3	6	2	5
Interest expenses	(26)	(56)	(23)	(42)
Finance expenses, net	(55)	(35)	(51)	(28)
Loss before tax	(6 874)	(30 824)	(5 489)	(25 093)
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Segment assets for reportable segment	388 669	397 235	357 001	327 184
Unallocated:				
Investment properties	27 917	4	25 643	4
Other assets of subsidiaries not included in segment	439	4 586	403	3 778
Available-for-sale financial assets	53	19 990	49	16 465
Total assets	417 078	421 815	383 096	347 431

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

3. Related party transactions

for the period ended 31 December 2015

	2015		31.12.2015.	
	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	30 910	-	152	(1 770)
Technical management fee and IT services / Outstanding balances	353	-	5	-
Interest income/(expense) / Outstanding balances	3	(839)	-	(63 155)
Real estate rent / Outstanding balances	111	-	13	-
Real estate sale/ Outstanding balances	222	-	-	-
Consulting services / Outstanding balances	-	(12)	-	(3)
Other services / Outstanding balances	57	-	9	(25)
Total	31 656	(851)	179	(64 953)
Including:				
Non-current			-	(63 180)
Current			179	(3)
Deferred income			-	(1 770)
Total			179	(64 953)

	2015		31.12.2015.	
	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	27 831	-	140	(1 626)
Technical management fee IT services / Outstanding balances	321	-	4	-
Interest income/(expense) / Outstanding balances	2	(761)	-	(58 009)
Real estate rent / Outstanding balances	100	-	13	-
Real estate sale / Outstanding balances	200	-	-	-
Consulting services / Outstanding balances	-	(11)	-	(3)
Other services / Outstanding balances	51	-	8	(23)
Total	28 505	(772)	165	(59 661)
Including:				
Non-current			-	(58 032)
Current			165	(3)
Deferred income			-	(1 626)
Total			165	(59 661)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Notes to the unaudited condensed consolidated financial statements (continued)

3. Related party transactions (continued)

for the period ended 31 December 2014

	<u>2014</u>		<u>31.12.2014.</u>	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Freight and hire revenue / Outstanding balances	30 088	-	11	(61)
Technical management fee and IT services / Outstanding balances	339	-	4	-
Interest income/(expense) / Outstanding balances	6	(1 052)	498	(29 660)
Real estate rent / Outstanding balances	163	-	102	-
Consulting services / Outstanding balances	-	(14)	-	(3)
Other services / Outstanding balances	39	-	2	-
Total	<u>30 635</u>	<u>(1 066)</u>	<u>617</u>	<u>(29 724)</u>
Including:				
Non-current			-	(29 660)
Current			617	(3)
Deferred income			-	(61)
Total			<u>617</u>	<u>(29 724)</u>

	<u>2014</u>		<u>31.12.2014.</u>	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Freight and hire revenue / Outstanding balances	22 638	-	9	(50)
Technical management fee IT services / Outstanding balances	256	-	3	-
Interest income/(expense) / Outstanding balances	5	(799)	410	(24 430)
Real estate rent / Outstanding balances	122	-	84	-
Consulting services / Outstanding balances	-	(10)	-	(3)
Other services / Outstanding balances	29	-	2	-
Total	<u>23 050</u>	<u>(809)</u>	<u>508</u>	<u>(24 483)</u>
Including:				
Non-current			-	(24 430)
Current			508	(3)
Deferred income			-	(50)
Total			<u>508</u>	<u>(24 483)</u>

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

Contact person with respect to information presented in these financial statements

Elīna Dobulāne,
Communications Consultant
JSC Latvian Shipping Company
Phone: +371-25959447
Email: elina.dobulane@mccannconsulting.lv

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.