

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

Unaudited Condensed Interim Consolidated Financial Statements

for the 1st quarter 2017



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Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger
Deputy Chairperson of the Supervisory Council	Dzmitry Yudzin (from April 27, 2017)
	Kaspars Bunne (until April 26, 2017)

Members of the Supervisory Council:

Aleksej Tarasov

Artūrs Neimanis

Andrea Schlaepfer

Varvara Maximova

Olga Kurenkova

Giovanni Fagioli

Kristo Oidermaa

Nafiset Negouch (from April 26, 2017)

Dzmitry Yudzin (until April 27, 2017)

Professional experience of the members of the Supervisory Council

- Vladimir Egger* Re-elected in the position of the chairman of the Supervisory Council on April 27, 2017. Re-elected in the position of the member of the Supervisory Council on April 26, 2017 for 5 years term. 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. V.Egger does not own shares of JSC Latvian Shipping Company.
- Dzmitry Yudzin* Re-elected in the position of the member of the Supervisory Council on April 26, 2017 for 5 years term. 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. D.Yudzin does not own any shares of JSC Latvian Shipping Company.
- Aleksej Tarasov* Elected in the position of the deputy chairman of the Supervisory Council on April 27, 2017. Re-elected in the position of the member of the Supervisory Council on April 26, 2017 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). A.Tarasov does not own any shares of JSC Latvian Shipping Company.
- Nafiset Negouch* Elected in the position of the member of the Supervisory Council on April 26, 2017 for 5 years term. Nafiset Negouch is member of the Audit Committee of joint stock company "Latvijas kuģniecība". N. Negouch in 2002 graduated from Moscow State University for Foreign Relations, since 2002 is a member of Finance department of Moscow Representative office of VNT S.A. and currently holds the position of Financial controller. N. Negouch does not own shares of JSC Latvian Shipping Company.
- Artūrs Neimanis* Re-elected in the position of the member of the Supervisory Council on April 26, 2017 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. A.Neimanis 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 April 26, 2017 for 5 years term. 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.

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

- Varvara Maximova* Re-elected in the position of the member of the Supervisory Council on April 26, 2017 for 5 years term. 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 26, 2017 for 5 years term. 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 26, 2017 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 26, 2017 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. K.Oidermaa does not own shares of JSC Latvian Shipping Company.

Management Board

Chairman of the Management Board

Robert Kirkup

Members of the Management Board

Paul Thomas

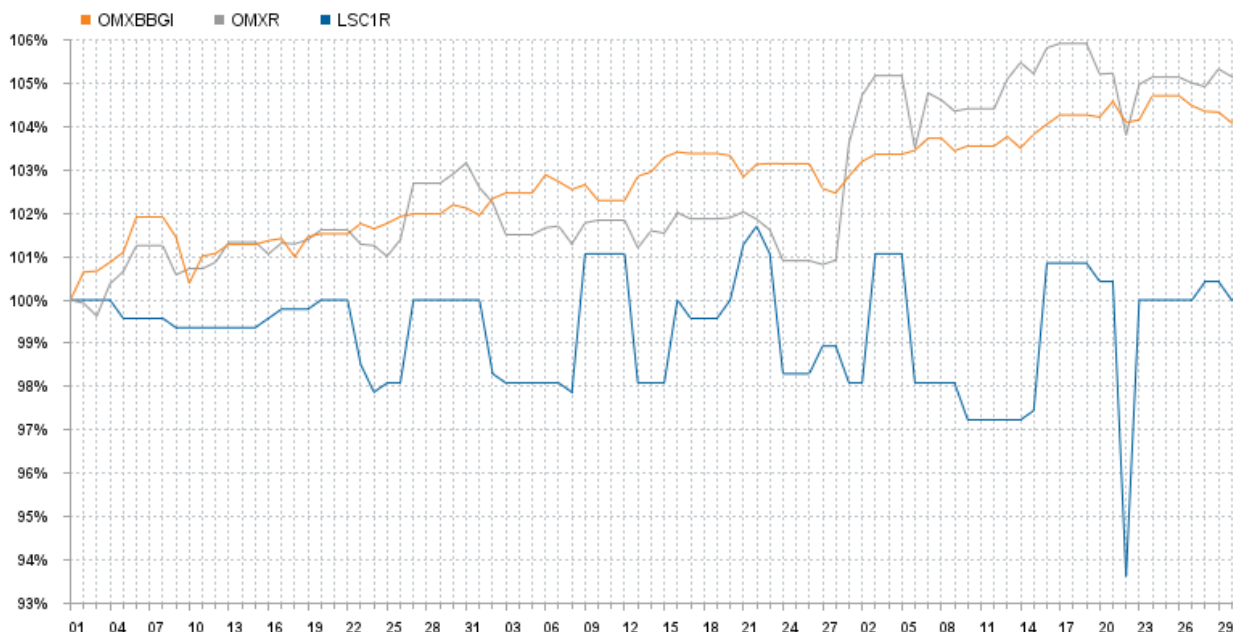
Christopher James Kernon

Professional experience of the members of the Management Board

- Robert Kirkup* The Chairman of the Management Board since March 1, 2014, elected for a 5 years term. Previously he held the position of the Chairman of the Supervisory Council since October 17, 2013. Robert Kirkup is also Chairman of JSC "Ventspils nafta" Management Board since 1 September 2013. R. Kirkup also holds positions in JSC Ventspils nafta subsidiaries, he is Chairman of the Supervisory Council of LatRosTrans Ltd, as well as a member of the Supervisory Council of Ventspils nafta terminals Ltd. He has worked in the oil and sugar business for more than 20 years. In 1996 he joined the Vitol Group and has held various commercial positions. Professional education: BA Honours Degree in Business. 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, re-elected for 5 years on March 1, 2016. Paul Thomas does not own shares of JSC Latvian Shipping Company..
- Christopher James Kernon* Christopher holds 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. He has B.Eng in Naval Architecture from Newcastle upon Tyne University. Member of the Management Board of Latvian Shipping Company since February, 2011, re-elected for 5 years term on March 1, 2106. 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 01.01.2017 until 31.03.2017



Index/Equity	01.01.2017	31.03.2017	+/-%
OMX Baltic Benchmark GI	788.17	822.47	4.35
OMX Riga	733.77	770.32	4.98
LSC1R	0.470 EUR	0.471 EUR	0.21

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	2012	2013	2014	2015	2016	Q1 2017
Open	0.444	0.359	0.550	0.360	0.431	0.470
High	0.492	0.593	0.580	0.649	0.528	0.489
Low	0.289	0.327	0.352	0.360	0.400	0.423
Last	0.359	0.559	0.360	0.438	0.470	0.471
Average	0.406	0.437	0.453	0.399	0.477	0.467
Traded volume	985,943	4,575,982	1,449,529	13,160,987	1,443,900	339,505
Turnover, million	0.38	2.15	0.66	5.25	0.69	0.16
Capitalisation, million	71.71	111.84	72.00	87.60	94.00	94.20

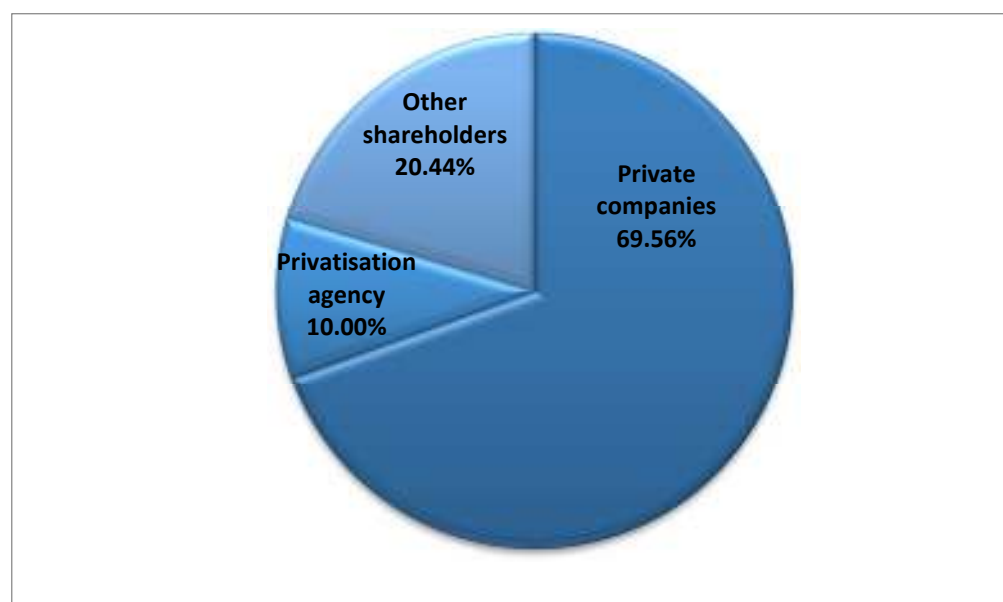
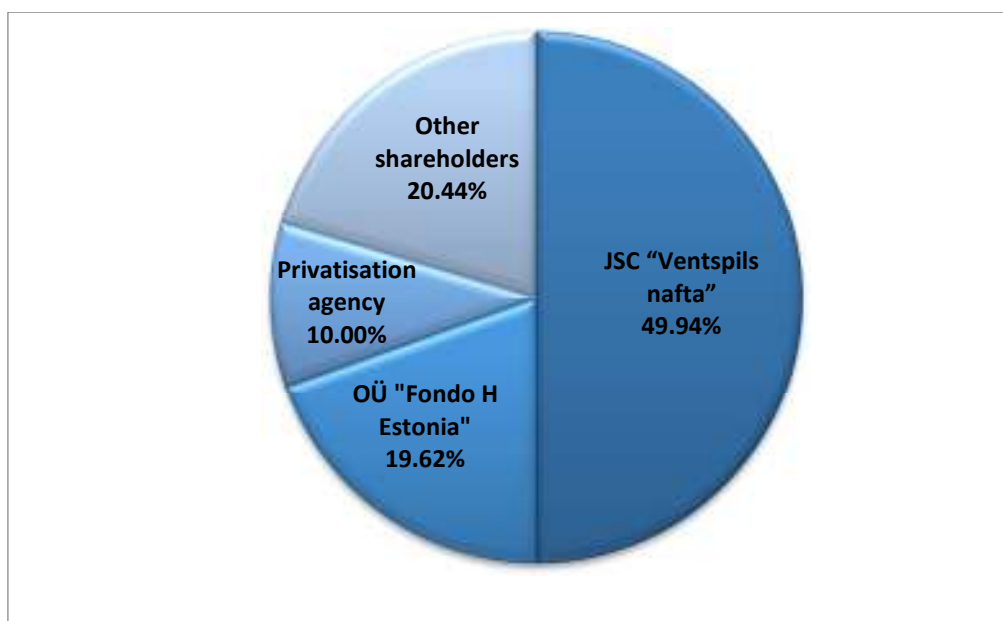
Information source: JSC „Nasdaq Riga” webpage www.nasdaqbaltic.com

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"	Private 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

Highlights:

- The Latvian Shipping Company Group (LSC Group) revenue for Q1 2017 was USD 24.43 million (USD 25.16 million in Q1 2016) due to weaker net voyage results of USD 19.47 million (USD 22.80 million in Q1 2016);
- Net profit in Q1 2017 was USD 0.16 million (net profit USD 4.11 million in Q1 2016) mainly from the reversal of the fleet revaluation loss;
- Marginal increase in fleet value in Q1 2017 in the amount of 0.50 million USD;
- Decrease in administrative costs continued in Q1 2017 – USD 1.33 million (Q1 2016 – USD 1.46 million);
- Q1 2017 cash positive for the LSC Group; net cash increase USD 7.34 million (net cash increase in Q1 2016 - USD 3.37 million);
- Fleet operating profit - USD 11.91 million in Q1 2017 considerably lower than previous year (Q1 2016 – USD 15.74 million);
- No changes in commercial fleet (16 vessels);
- Continued strong emphasis on third party vessel technical management by the LSC Group's subsidiary "LSC Shipmanagement" Ltd (24 vessels in total, including 8 third party' tankers as of May, 2017);
- LSC Group vessel loan refinancing completed on February 28, 2017 in the amount of USD 121 million with a syndicate of three banks with a repayment deadline of the 30th of June 2022;
- Disposal of SIA "LASCO Investment" real estate properties in further progress.

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

	<u>Q1 2015</u>	<u>Q1 2016</u>	<u>Q1 2017</u>
Sales	21.98	25.16	24.43
EBITDA	11.03	14.61	10.94
Profit/(loss) before exceptionals	5.01	4.11	(0.34)
Exceptionals (income from financial assets)	0.01	0.00	0.00
Exceptionals (fleet impairment/reversal of fleet revaluation loss)	(2.05)	0.00	0.50
Net profit	2.98	4.11	0.16

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

Fleet	Y 2013	Y2014	Y2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Y 2016	Q1 2017
HS (4 vessels)*	13 468	13 594	14 310	15 435	16 252	15 545	16 571	15 651	16 031
MR (12 vessels)**	14 174	14 130	16 232	17 660	16 953	15 241	13 222	15 347	13 978

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

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

Explanations:

HS = handy size (37 dwt); MR = medium range (52 dwt)

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, 19 May 2017

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 2017, changes in shareholders' equity, cash flows and the results of the Group for the year ended 31 March 2017.

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 May 2017

Consolidated income statement

for the period ended 31 March 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Voyage income	23 749	24 588	22 331	22 464
Income from other services	676	568	637	521
Revenue	24 425	25 156	22 968	22 985
Voyage costs and commissions	(4 282)	(1 788)	(4 023)	(1 597)
Cost of sales	(17 285)	(11 863)	(16 227)	(10 717)
Gross profit	2 858	11 505	2 718	10 671
Administrative expenses	(1 330)	(1 462)	(1 249)	(1 322)
Revaluation income of non-financial assets	500	-	466	-
Other operating income	-	3	-	3
Operating profit	2 028	10 046	1 935	9 352
Finance income	144	122	135	111
Finance costs	(1 928)	(5 974)	(1 813)	(5 404)
Profit before tax	244	4 194	257	4 059
Income tax	(83)	(81)	(77)	(73)
Profit for the period	161	4 113	180	3 986
Attributable to:				
Equity holders of the parent	161	4 113	180	3 986
	161	4 113	180	3 986
Profit per share	US \$ 0.00	US \$ 0.02	EUR 0.00	EUR 0.02

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 31 March 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Profit for the period	161	4 113	180	3 986
Other comprehensive (loss)/income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(21)	(731)	(2 652)	(3 417)
Net movement on cash flow hedges	-	102	-	99
Other comprehensive loss for the period, net of tax	(21)	(629)	(2 652)	(3 318)
Total comprehensive income/(loss) for the period, net of tax	140	3 484	(2 472)	668
Attributable to:				
Equity holders of the parent	140	3 484	(2 472)	668
	140	3 484	(2 472)	668

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 31 March 2017

	31.03.2017.	31.12.2016.	31.03.2017.	31.12.2016.
	US \$'000	US \$'000	EUR'000	EUR'000
Assets				
Non-current assets				
Intangible assets	13	15	12	14
Fleet	257 786	266 500	240 091	252 822
Repairs and upgrades in progress	1 044	833	972	790
Property, plant and equipment	2 419	2 389	2 253	2 267
Investment properties	26 787	26 464	24 948	25 105
Other non-current financial assets	250	250	233	237
Total non-current assets	288 299	296 451	268 509	281 235
Current assets				
Inventories	3 356	2 950	3 126	2 798
Trade and other receivables	3 393	7 132	3 160	6 765
Prepayments	945	1 681	881	1 594
Other current financial assets <i>including deposits with maturity more than three months</i>	31 151	31 814	29 013	30 181
	<i>31 000</i>	<i>31 800</i>	<i>28 872</i>	<i>30 168</i>
Cash and cash equivalents	23 207	15 865	21 614	15 052
Total current assets	62 052	59 442	57 794	56 390
Total assets	350 351	355 893	326 303	337 625

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 31 March 2017

	31.03.2017. US \$'000	31.12.2016. US \$'000	31.03.2017. EUR'000	31.12.2016. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	79 750	79 589	61 873	61 693
Other components of equity	(5 767)	(5 746)	18 180	20 832
Total equity	150 375	150 235	140 053	142 525
Non-current liabilities				
Interest bearing loans	120 554	127 900	112 279	121 335
Trade and other payables	39 218	38 499	36 526	36 523
Deferred tax liabilities	108	106	100	100
Total non-current liabilities	159 880	166 505	148 905	157 958
Current liabilities				
Trade and other payables	13 320	12 799	12 406	12 141
Interest bearing loans	24 628	24 605	22 938	23 342
Deferred income	2 148	1 749	2 001	1 659
Total current liabilities	40 096	39 153	37 345	37 142
Total equity and liabilities	350 351	355 893	326 303	337 625

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 1ST QUARTER 2017

Consolidated statement of changes in equity

for the period ended 31 March 2017

	Attributable to the holders of the parent						Total	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Retained earnings		
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000		
As at 31 December 2015	76 392	5 824	(218)	(16 821)	(14 378)	104 590	155 389	155 389
Profit for the period	-	-	-	-	-	4 113	4 113	4 113
Other comprehensive loss	-	-	102	(731)	-	-	(629)	(629)
Total comprehensive income	-	-	102	(731)	-	4 113	3 484	3 484
Other reserves	-	-	-	-	20 050	-	20 050	20 050
As at 31 March 2016	76 392	5 824	(116)	(17 552)	5 672	108 703	178 923	178 923
Loss for the period	-	-	-	-	-	(29 114)	(29 114)	(29 114)
Other comprehensive income	-	-	116	310	-	-	426	426
Total comprehensive loss	-	-	116	310	-	(29 114)	(28 688)	(28 688)
As at 31 December 2016	76 392	5 824	-	(17 242)	5 672	79 589	150 235	150 235
Profit for the period	-	-	-	-	-	161	161	161
Other comprehensive loss	-	-	-	(21)	-	-	(21)	(21)
Total comprehensive income	-	-	-	(21)	-	161	140	140
As at 31 March 2017	76 392	5 824	-	(17 263)	5 672	79 750	150 375	150 375

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2017

Consolidated statement of changes in equity *(continued)*

for the period ended 31 March 2017

	Attributable to the holders of the parent						Total	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Retained earnings		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000		
As at 31 December 2015	60 000	4 574	(201)	5 073	(9 397)	82 680	142 729	142 729
Profit for the period	-	-	-	-	-	3 986	3 986	3 986
Other comprehensive loss	-	-	99	(3 417)	-	-	(3 318)	(3 318)
Total comprehensive income	-	-	99	(3 417)	-	3 986	668	668
Other reserves	-	-	-	-	14 607	-	14 607	14 607
As at 31 March 2016	60 000	4 574	(102)	1 656	5 210	86 666	158 004	158 004
Loss for the period	-	-	-	-	-	(24 973)	(24 973)	(24 973)
Other comprehensive income	-	-	102	9 392	-	-	9 494	9 494
Total comprehensive loss	-	-	102	9 392	-	(24 973)	(15 479)	(15 479)
As at 31 December 2016	60 000	4 574	-	11 048	5 210	61 693	142 525	142 525
Profit for the period	-	-	-	-	-	180	180	180
Other comprehensive loss	-	-	-	(2 652)	-	-	(2 652)	(2 652)
Total comprehensive loss	-	-	-	(2 652)	-	180	(2 472)	(2 472)
As at 31 March 2017	60 000	4 574	-	8 396	5 210	61 873	140 053	140 053

Consolidated statement of cash flows

for the period ended 31 March 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Operating activities				
Profit before tax	244	4 194	257	4 059
<u>Adjustments for:</u>				
Depreciation and amortisation	9 409	4 563	8 834	4 118
Revaluation income of the fleet	(500)	-	(466)	-
Other adjustments	1 839	5 711	1 445	4 099
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	4 475	15 712	4 318	14 573
Changes in inventories	(406)	121	(328)	190
Changes in trade and other payables	920	(1 563)	607	(1 818)
Net cash flows generated from operating activities	15 981	28 738	14 667	25 221
Net cash flows from (used in) investing activities	395	(834)	380	(760)
Cash flows before financing activities	16 376	27 904	15 047	24 461
Net cash flows used in financing activities	(9 034)	(24 535)	(8 485)	(22 265)
Net increase in cash and cash equivalents	7 342	3 369	6 562	2 196
Cash and cash equivalents at the beginning of the period	15 865	21 987	15 052	20 195
Cash and cash equivalents at the end of the period	23 207	25 356	21 614	22 391

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 2016, 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 31.03.2017 EUR/USD – 1.0737 (average – 1.064681)

ECB (the European Central Bank) rate of exchange as at 31.03.2016 EUR/USD – 1.1324 (average – 1.101898)

ECB (the European Central Bank) rate of exchange as at 31.12.2016 EUR/USD – 1.0541 (average – 1.106774)

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

2. Segment information

Shipping segment for the period ended 31 March 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Time charter out revenue	15 001	19 356	14 115	17 788
Voyage revenue	8 748	5 232	8 216	4 676
Voyage income from external customers	23 749	24 588	22 331	22 464
Voyage costs and commissions	(4 282)	(1 788)	(4 023)	(1 597)
Net voyage result	19 467	22 800	18 308	20 867
Vessel operating costs	(7 561)	(7 057)	(7 095)	(6 378)
Vessel operating profit	11 906	15 743	11 213	14 489
Income from other revenues	521	392	491	360
Costs of sales (Vessel operating costs excluding)	(249)	(188)	(234)	(171)
Administrative expenses	(1 267)	(1 344)	(1 191)	(1 217)
Depreciation and amortisation	(9 241)	(4 416)	(8 677)	(3 985)
Revaluation income of non-financial assets	500	-	466	-
Other operating income	-	3	-	3
Result before financial items	2 170	10 190	2 068	9 479
Interest income	144	122	135	111
Interest expense	(1 698)	(2 405)	(1 597)	(2 166)
Finance (expenses)/ income, net	(248)	(3 607)	(233)	(3 272)
Net result before tax	368	4 300	373	4 152
Segment assets	323 020	328 845	300 848	311 966
Including additions to non-current assets	211	3 028	206	2 735
Segment liabilities	160 359	166 713	149 353	158 153

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, assets and liabilities to income statement and statement of financial position for the period ended 31 March 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Net result before tax for reportable segment	368	4 300	373	4 152
Other revenues	155	176	146	161
Costs of sales	(260)	(253)	(244)	(228)
Administrative expenses	(37)	(67)	(35)	(60)
Finance income, net	18	38	17	34
Profit before tax	244	4 194	257	4 059
	31.03.2017.	31.12.2016.	31.03.2017.	31.12.2016.
Segment assets for reportable segment	323 020	328 845	300 848	311 966
Unallocated:				
Investment properties	26 787	26 464	24 948	25 105
Other assets of subsidiaries not included in segment	544	584	507	554
Total assets	350 351	355 893	326 303	337 625
Segment liabilities for reportable segment	160 359	166 713	149 353	158 153
Unallocated:				
Loan from related parties	39 204	38 488	36 513	36 513
Loan from other companies	300	300	279	285
Other liabilities of subsidiaries not included in segment	113	157	105	149
Total liabilities	199 976	205 658	186 250	195 100

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

3. Related party transactions

for the period ended 31 March 2017

	2017		31.03.2017.	
	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	5 410	-	129	(806)
Technical management fee and IT services / Outstanding balances	96	-	4	-
Interest expense / Outstanding balances	-	(25)	-	(42 212)
Real estate rent / Outstanding balances	21	-	8	-
Consulting services / Outstanding balances	6	(6)	4	-
Other services / Outstanding balances	9	-	4	-
Total	5 542	(31)	149	(43 018)
Including:				
Non-current trade and other payables			-	(39 204)
Current trade and other receivables/ trade and other payables			149	(3 014)
Deferred income			-	(800)
Total			149	(43 018)

	2017		31.03.2017.	
	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	5 081	-	120	(751)
Technical management fee IT services / Outstanding balances	91	-	4	-
Interest expense / Outstanding balances	-	(23)	-	(39 314)
Real estate rent / Outstanding balances	19	-	8	-
Consulting services / Outstanding balances	6	(5)	4	-
Other services / Outstanding balances	8	-	4	-
Total	5 205	(28)	140	(40 065)
Including:				
Non-current trade and other payables			-	(36 513)
Current trade and other receivables/ trade and other payables			140	(2 793)
Deferred income			-	(759)
Total			140	(40 065)

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

3. Related party transactions *(continued)*

for the period ended 31 March 2016

	2016		31.12.2016.	
	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	8 030	-	1 301	(806)
Technical management fee and IT services / Outstanding balances	89	-	7	-
Interest expense / Outstanding balances	-	(400)	-	(41 438)
Real estate rent / Outstanding balances	30	-	12	-
Consulting services / Outstanding balances	-	(70)	2	(7)
Other services / Outstanding balances	11	-	5	-
Total	8 160	(470)	1 327	(42 251)

Including:

Non-current trade and other payables	-	(38 488)
Current trade and other receivables/ trade and other payables	1 327	(2 957)
Deferred income	-	(806)
Total	1 327	(42 251)

	2016		31.12.2016.	
	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	7 287	-	1 235	(765)
Technical management fee IT services / Outstanding balances	81	-	6	-
Interest expense / Outstanding balances	-	(363)	-	(39 312)
Real estate rent / Outstanding balances	27	-	11	-
Consulting services / Outstanding balances	-	(63)	2	(7)
Other services / Outstanding balances	10	-	5	-
Total	7 405	(426)	1 259	(40 084)

Including:

Non-current trade and other payables	-	(36 513)
Current trade and other receivables/ trade and other payables	1 259	(2 806)
Deferred income	-	(765)
Total	1 259	(40 084)

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

4. The explanation of the key financial indicators for the last five financial years

Turnover: Position "Revenue" of the LSC Group's Consolidated Income Statement.

Net loss: Position "Loss for the period" of the LSC Group's Consolidated Income Statement.

Gross profit before depreciation: Sum of the LSC Group's Segment information positions "Vessel operating profit" and "Other revenues" from which Segment information position "Costs of sales (Vessel operating costs excluding)" is deducted.

EBITDA: Position "Operating profit/(loss)" of the LSC Group's Consolidated Income Statement from which position "Depreciation and amortization" of Segment information is deducted. In addition adjustments are made by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

EBIT: Position "Operating profit/(loss)" of the LSC Group's Consolidated Income Statement which adjusted by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

Profit before tax and exceptionals: Position "Net result before tax" of the LSC Group's Consolidated Income Statement which adjusted by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

Return on Assets: Calculated by dividing a position "Profit or loss for the period" of the LSC Group's Consolidated Income Statement by average position "Total assets" of the LSC Group's Consolidated Statement of Financial Position as of 31.december.

Return on Equity: Calculated by dividing a position "Profit or loss for the period" of the LSC Group's Consolidated Income Statement by average position "Total equity" of the LSC Group's Consolidated Statement of Financial Position as of 31.december.

EPS: The earnings per share ratio is measured by dividing the position "Loss for the period" of the LSC Group's Consolidated Income Statement by LSC total number of the shares.

Liquidity ratio: Position "Current assets" of the LSC Group's Consolidated Statement of Financial Position divided by Position "Current liabilities" of the LSC Group's Consolidated Statement of Financial Position.

P/E ratio: LSC share price as at 31.december of the reporting period divided to reporting period profit. Ratio is not calculated due to the fact that financial result for the reporting periods is loss.

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.