



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

Unaudited Condensed Interim Consolidated Financial Statements

for the six month period ended 30 June 2017



LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

CONTENTS

Supervisory Council	3
Professional experience of the members of the Supervisory Council	4
Management Board	6
Professional experience of the members of the Management Board	7
Review of the shares	8
Management report	10
Statement of Management's Responsibilities	13
Consolidated income statement	14
Consolidated statement of comprehensive income	15
Consolidated statement of financial position	16
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	20
Notes to the unaudited condensed consolidated financial statements	21

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

Kristo Oidermaa

Nafiset Negouch (from April 26, 2017)

Dzmitry Yudzin (until April 27, 2017)

Giovanni Fagioli (until July 21, 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 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.

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.
- 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, 2016. 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 30.06.2017



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	6m 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	0.879
Low	0.289	0.327	0.352	0.360	0.400	0.423
Last	0.359	0.559	0.360	0.438	0.470	0.710
Average	0.406	0.437	0.453	0.399	0.477	0.568
Traded volume	985,943	4,575,982	1,449,529	13,160,987	1,443,900	42,266,519
Turnover, million	0.38	2.15	0.66	5.25	0.69	24.00
Capitalisation, million	71.71	111.84	72.00	87.60	94.00	142.00

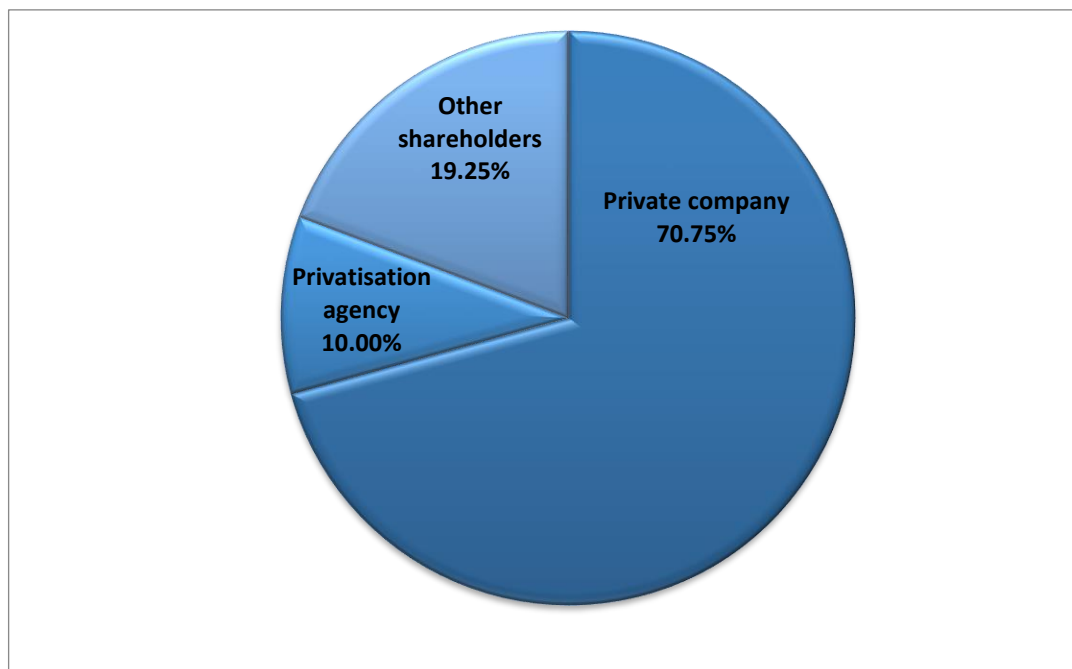
Information source: JSC „Nasdaq Riga” webpage www.nasdaqbaltic.com

Review of the shares *(continued)*

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

Name	Description	Ownership interest
Vitol Netherlands B.V.	Private company	70.75%
Privatisation agency	Government institution	10.00%
Other shareholders		19.25%

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



Management report

Dear shareholders and other stakeholders,

Group performance results

Latvian Shipping Company (“LSC” or “Company”) and its subsidiaries (“LSC Group” or “Group”) financial result for the first six months of 2017 resulted in a net profit of USD 9.39 million (1H 2016: net loss USD 6.66 million). The result was mainly attributable to reverse impairments recognised in respect to the value of the LSC Group’s fleet in the amount of USD 9.76 million and profit from the sale of real estate property owned by the LSC Group in the amount of USD 2.00 million. The fair market value of the fleet decreased by USD 8.25 million in the reporting period.

Commercial fleet performance

The total revenue for the first six months of 2017 was USD 47.15 million (1H2016: USD 50.08 million). The revenue reflects lower charter rates but was boosted by a larger proportion of the vessels trading on the spot market (1H2017 6 vessels vs 1H2016 3 vessels) where voyage costs are included in the revenue. The net voyage result - USD 37.75 million - a 16% decline (1H2016: USD 44.92 million) is a more comparable indicator of fleet performance as it is calculated by deducting voyage costs from voyage income showing the net income, irrespective of whether the fleet was employed in the spot market or time charter. During the reporting period the Group entered into various transactions with related parties (entities under joint control of the shareholder) which enabled the Group to generate USD 10.81 million which is 23 % of its total revenues (6M 2016: USD 17.89 million or 36%).

Key financial indicators for LSC Group H1 2015-2017 (USD million):

	6M 2015 (USD)	6M 2016 (USD)	6M 2017 (USD)
Sales	45.81	50.08	47.15
EBITDA	23.80	27.94	20.64
Profit (loss)/ before exceptionals	10.25	(0.90)	(2.20)
Exceptionals (income from financial assets)	0.65	0.01	2.00
Exceptionals (fleet impairment/reversal of fleet revaluation loss)	(2.05)	(5.60)	9.80
Net profit/(loss) before Forex	7.90	(3.09)	10.15
Forex	0.95	(3.57)	(0.76)
Net profit/(loss)	8.85	(6.66)	9.39

Group’s assets and liabilities

The LSC Group increased its net cash position by USD 6.34 million. The majority of the net cash increase related to vessel commercial activities where charterers settled their year end liabilities for voyages commenced in December 2016. The total amount of cash and deposits as at 30th June 2017 with maturity up to twelve months was USD 53.21 million (inclusive of USD 1.9 million cash belonging to third parties to service their on-going technical management expenses). The refinancing of the LSC Group’s loan facility (fourteen vessels) was completed on February 28th, 2017 in the amount of USD 121 million with a syndicate of three banks with a repayment deadline of the 30th of June 2022. Refinancing of the M/T Latgale and M/T Zemgale will be required in June/July 2018 and portion of the loan with the repayment term in June 2018 is now shown in the accounts as a short term debt for accounting purposes.

The fleet incurred depreciation of 7pct per annum adjusted by reverse impairment loss in the carrying value, resulting in a net decrease in the fair value of the fleet by USD 8.25 million.

The total net book value of the LSC Group’s fleet at the 30th June 2017 was 258.25 million USD (31st December 2016: USD 266.50 million). The Group’s fleet value reflects the fair market value, willing buyer/willing seller, and in the opinion of the Management Board is currently the best methodology of valuing the fleet to ensure full transparency for investors and stakeholders; the methodology fully complies with International Accounting Standards (IAS). The total equity value of the Group as at the 30th June 2017 was USD 157.12 million (31st December 2016: USD 150.24 million).

Management report *(continued)*

Commercial fleet activities

The Group's commercial fleet remains unchanged at sixteen vessels, with a Group subsidiary, LSC Shipmanagement Ltd, appointed to technically manage not only the LSC Group's owned fleet but also nine third party tankers thus bringing the number of vessels under technical management to twenty-five.

As at the 30th June 2017, 75% (twelve vessels) of the LSC Group's fleet were employed on period business (time-charter and bareboat charter). The average employment period for the portion of the LSC fleet on time charter plus bareboat charter (i.e. Latgale and Zemgale) is 6.6 months. The average employment period for the portion of the fleet (ten vessels) on time charter only (i.e. excluding the bareboat charters) – 5.4 months. At the date of this report 25% of the LSC Group's fleet are trading on the spot market, by the end of the third quarter 2017 this will increase to 37% and to 75% by the end of 2017 should no further time charter fixtures be agreed.

Below is a summary of the average daily TCE revenue for the portion of the fleet trading on the spot market for the second quarter 2017:

MRs: USD 13,300 per revenue day (four vessels);
 Handy size: USD 12,800 per revenue day (one vessel).

the Average time charter rate for the second quarter 2017:

MRs: USD 13,970 per revenue day (eight vessels);
 Handy size: USD 13,970 per revenue day (three vessels).

Below is a summary of the average daily TCE revenue estimated thus far for the portion of the fleet trading on the spot market for the third quarter of 2017:

MRs: approximately USD 8,300 per day for 42% of 2017 Q3 revenue days (three vessels);
 Handy size: approximately USD 6,000 per day for 42% of 2017 Q3 revenue days (one vessel).

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

Fleet	Y 2013	Y 2014	Y2015	Y 2016	Q1 2017 (A)	Q2 2017 (E)
HS (4 vessels)*	13 468	13 594	14 310	15 651	16 031	13 679
MR (12 vessels)**	14 174	14 130	16 232	15 347	13 978	13 748

*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.

Future prospects

The products tanker market has experienced weaker earnings year on year. The main contributory factors for the weaker shipping markets, which have been previously documented, can be summarised as fewer ton miles particularly for the Medium Range fleet (shorter voyages increase the pool of vessels available at any one time to transport oil) and especially where ever larger product tankers, having greater economies of scale, are more favoured for longer haul routes. Less inefficiencies in the oil market, for example in respect to gasoline deliveries into Nigeria, where earning days idle with cargo on board waiting for discharge have decreased enormously. Year on year fleet growth with the world MR tanker fleet growing by approximately 6.5% in 2016 with 87 Medium range tankers delivered.

Management report (continued)

Future prospects (continued)

In 2017 a further 75 Medium range tankers will be delivered resulting in a further 5% year on year growth in the fleet. 2018/2019 orders so far total a further 80 vessels with yard capacity available for further orders. The successful utilisation of these additional vessels will be very dependent on a more positive worldwide economic environment than we are currently experiencing

The LSC Group's earnings for first half 2017 were, as anticipated, weaker and there was a parity of earnings between spot and time charter earnings; However on the positive side revenue was sufficient to service all our Capex/Opex obligations. As we progress into the second half of 2017 we continue to see this weaker trend as witnessed by our Q3 earnings so far. Some protection will be afforded by our period charter contracts but our time charter cover decreases to 25% of the fleet by end 2017.

In June, 2017 the LSC subsidiary SIA "LASCO Investment" sold property "Preses nams" for EUR 16.8 million.

In July, 2017 LSC sold its office building 1 Elizabetes street, Riga to the government of the United Arab Emirates for use as its next embassy for EUR 4.2 million. LSC will continue to utilise the existing premises until January 2018 when it will move to "Place Eleven". The LSC Group will continue the disposal of non-core assets to help meet its financial obligations and maintain its focus on its core business - shipping.

On July 17th, 2017, the LSC majority shareholder Vitol Netherlands B.V., commenced the mandatory share buy-out offer for the remaining share capital of LSC. The Offer was made pursuant to the decision of the Financial and Capital Market Commission dated July 12th, 2017. The Offer was made at EUR 0.71 per share. As a result of the share buy-out, the majority shareholder would be further increasing its interest in the share capital of LSC. The Management Board holds the view that a bigger proportion of the controlling interest in the hands of one shareholder should improve the efficiency of the LSC operations and its further development.

The Group's aim is to grow LSC ship-management services and employ further shipping professionals; we see this as a significant growth area for the Group.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 18 August 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 30 June 2017, changes in shareholders' equity, cash flows and the results of the Group for the year ended 30 June 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, 18 August 2017

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Consolidated income statement

for the period ended 30 June 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Voyage income	45 770	48 847	42 418	43 943
Income from other services	1 376	1 231	1 272	1 107
Revenue	47 146	50 078	43 690	45 050
Voyage costs and commissions	(8 022)	(3 923)	(7 341)	(3 510)
Cost of sales	(34 768)	(36 002)	(31 907)	(32 352)
Gross profit	4 356	10 153	4 442	9 188
Administrative expenses	(2 624)	(2 897)	(2 412)	(2 600)
Revaluation income / impairment of non-financial assests	9 761	(5 600)	8 553	(5 050)
Other operating income	1 992	17	1 780	16
Other operating expenses	-	(83)	-	(74)
Operating profit	13 485	1 590	12 363	1 480
Finance income	308	225	282	202
Finance costs	(4 247)	(8 300)	(3 899)	(7 276)
Profit/(loss) before tax	9 546	(6 485)	8 746	(5 594)
Income tax	(160)	(171)	(149)	(153)
Profit/(loss) for the period	9 386	(6 656)	8 597	(5 747)
Attributable to:				
Equity holders of the parent	9 386	(6 656)	8 597	(5 747)
	9 386	(6 656)	8 597	(5 747)
Profit/(loss) per share	US \$ 0.05	US \$ (0.03)	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 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Profit/(loss) for the period	9 386	(6 656)	8 597	(5 747)
Other comprehensive (loss)/income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(166)	(458)	(11 309)	187
Net movement on cash flow hedges	-	206	-	190
Other comprehensive loss for the period, net of tax	(166)	(252)	(11 309)	377
Total comprehensive income/(loss) for the period, net of tax	9 220	(6 908)	(2 712)	(5 370)
Attributable to:				
Equity holders of the parent	9 220	(6 908)	(2 712)	(5 370)
	9 220	(6 908)	(2 712)	(5 370)

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LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Consolidated statement of financial position

as at 30 June 2017

	30.06.2017. US \$'000	31.12.2016. US \$'000	30.06.2017. EUR'000	31.12.2016. EUR'000
Assets				
Non-current assets				
Intangible assets	12	15	10	14
Fleet	258 250	266 500	226 277	252 822
Repairs and upgrades in progress	892	833	782	790
Property, plant and equipment	2 555	2 389	2 238	2 267
Investment properties	11 156	26 464	9 775	25 105
Other non-current financial assets	283	250	248	237
Total non-current assets	273 148	296 451	239 330	281 235
Current assets				
Inventories	2 868	2 950	2 513	2 798
Trade and other receivables	3 729	7 132	3 268	6 765
Prepayments	1 339	1 681	1 173	1 594
Other current financial assets <i>including deposits with maturity more than three months</i>	31 016 31 000	31 814 31 800	27 176 27 162	30 181 30 168
Cash and cash equivalents <i>including clients' cash in our accounts</i>	22 207 1 917	15 865 784	19 457 1 728	15 052 744
Total current assets	61 159	59 442	53 587	56 390
Total assets	334 307	355 893	292 917	337 625

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Consolidated statement of financial position *(continued)*

as at 30 June 2017

	30.06.2017. US \$'000	31.12.2016. US \$'000	30.06.2017. EUR'000	31.12.2016. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	88 975	79 589	70 290	61 693
Other components of equity	(8 251)	(5 746)	7 374	20 832
Total equity	157 116	150 235	137 664	142 525
Non-current liabilities				
Interest bearing loans	100 873	127 900	88 384	121 335
Trade and other payables	24 962	38 499	21 872	36 523
Deferred tax liabilities	115	106	100	100
Total non-current liabilities	125 950	166 505	110 356	157 958
Current liabilities				
Trade and other payables	10 099	12 799	8 849	12 141
Interest bearing loans	38 065	24 605	33 352	23 342
Deferred income	3 077	1 749	2 696	1 659
Total current liabilities	51 241	39 153	44 897	37 142
Total equity and liabilities	334 307	355 893	292 917	337 625

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LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Consolidated statement of changes in equity

for the period ended 30 June 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
Loss for the period	-	-	-	-	-	(6 656)	(6 656)	(6 656)
Other comprehensive loss	-	-	206	(458)	-	-	(252)	(252)
Total comprehensive loss	-	-	206	(458)	-	(6 656)	(6 908)	(6 908)
Other reserves	-	-	-	-	20 050	-	20 050	20 050
As at 30 June 2016	76 392	5 824	(12)	(17 279)	5 672	97 934	168 531	168 531
Loss for the period	-	-	-	-	-	(18 345)	(18 345)	(18 345)
Other comprehensive income	-	-	12	37	-	-	49	49
Total comprehensive loss	-	-	12	37	-	(18 345)	(18 296)	(18 296)
As at 31 December 2016	76 392	5 824	-	(17 242)	5 672	79 589	150 235	150 235
Profit for the period	-	-	-	-	-	9 386	9 386	9 386
Other comprehensive loss	-	-	-	(166)	-	-	(166)	(166)
Total comprehensive income	-	-	-	(166)	-	9 386	9 220	9 220
Other reserves	-	-	-	-	(2 339)	-	(2 339)	(2 339)
As at 30 June 2017	76 392	5 824	-	(17 408)	3 333	88 975	157 116	157 116

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Consolidated statement of changes in equity *(continued)*

for the period ended 30 June 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
Loss for the period	-	-	-	-	-	(5 747)	(5 747)	(5 747)
Other comprehensive income	-	-	190	187	-	-	377	377
Total comprehensive loss	-	-	190	187	-	(5 747)	(5 370)	(5 370)
Other reserves	-	-	-	-	14 607	-	14 607	14 607
As at 30 June 2016	60 000	4 574	(11)	5 260	5 210	76 933	151 966	151 966
Loss for the period	-	-	-	-	-	(15 240)	(15 240)	(15 240)
Other comprehensive income	-	-	11	5 788	-	-	5 799	5 799
Total comprehensive loss	-	-	11	5 788	-	(15 240)	(9 441)	(9 441)
As at 31 December 2016	60 000	4 574	-	11 048	5 210	61 693	142 525	142 525
Profit for the period	-	-	-	-	-	8 597	8 597	8 597
Other comprehensive loss	-	-	-	(11 309)	-	-	(11 309)	(11 309)
Total comprehensive loss	-	-	-	(11 309)	-	8 597	(2 712)	(2 712)
Other reserves	-	-	-	-	(2 149)	-	(2 149)	(2 149)
As at 30 June 2017	60 000	4 574	-	(261)	3 061	70 290	137 664	137 664

Consolidated statement of cash flows

for the period ended 30 June 2017

	US \$'000	US \$'000	EUR'000	EUR'000
Operating activities				
Profit/(loss) before tax	9 546	(6 485)	8 746	(5 594)
<u>Adjustments for:</u>				
Depreciation and amortisation	18 904	20 768	17 334	18 688
Result on disposal of non-financial assets	(1 992)	(14)	(1 780)	(13)
Revaluation income/impairment loss of the fleet	(9 761)	5 600	(8 553)	5 050
Other adjustments	3 852	7 333	2 019	5 733
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	3 745	15 078	3 918	13 949
Changes in inventories	82	325	285	332
Changes in trade and other payables	1 578	(1 153)	545	(1 247)
Net cash flows generated from operating activities	25 954	41 452	22 514	36 898
Net cash flows from investing activities	407	6 106	398	5 385
Cash flows before financing activities	26 361	47 558	22 912	42 283
Net cash flows used in financing activities	(20 019)	(44 054)	(18 507)	(39 492)
Net increase in cash and cash equivalents	6 342	3 504	4 405	2 791
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	22 207	25 491	19 457	22 986

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 30.06.2017 EUR/USD – 1.1413 (average – 1.081702)

ECB (the European Central Bank) rate of exchange as at 30.06.2016 EUR/USD – 1.1090 (average – 1.115520)

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 30 June 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Time charter out revenue	29 708	38 469	27 673	34 659
Voyage revenue	16 062	10 378	14 745	9 284
Voyage income from external customers	45 770	48 847	42 418	43 943
Voyage costs and commissions	(8 022)	(3 923)	(7 341)	(3 510)
Net voyage result	37 748	44 924	35 077	40 433
Vessel operating costs	(15 225)	(14 750)	(13 987)	(13 230)
Vessel operating profit	22 523	30 174	21 090	27 203
Income from other revenues	1 049	864	970	777
Costs of sales (Vessel operating costs excluding)	(523)	(398)	(479)	(358)
Administrative expenses	(2 500)	(2 699)	(2 298)	(2 423)
Result from disposal of non-financial assets	-	1	-	1
Depreciation and amortisation	(18 561)	(20 495)	(17 020)	(18 442)
Revaluation income/impairment loss of non-financial assets	9 761	(5 600)	8 553	(5 050)
Other operating income	-	3	-	3
Other operating expenses	-	(83)	-	(74)
Result before financial items	11 749	1 767	10 816	1 637
Interest income	308	225	282	202
Interest expense	(3 412)	(4 644)	(3 140)	(4 166)
Finance expenses, net	(912)	(3 674)	(829)	(3 126)
Net result before tax	7 733	(6 326)	7 129	(5 453)
Segment assets	322 478	328 845	282 552	311 966
Including additions to non-current assets	574	3 028	503	2 735
Segment liabilities	151 785	166 713	132 992	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 30 June 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Net result before tax for reportable segment	7 733	(6 326)	7 129	(5 453)
Other revenues	327	367	302	330
Costs of sales	(509)	(457)	(467)	(410)
Administrative expenses	(74)	(100)	(68)	(89)
Result from disposal of non-financial assets	1 992	13	1 780	12
Finance income, net	77	18	70	16
Profit/(loss) before tax	9 546	(6 485)	8 746	(5 594)
	30.06.2017.	31.12.2016.	30.06.2017.	31.12.2016.
Segment assets for reportable segment	322 478	328 845	282 552	311 966
Unallocated:				
Investment properties	11 156	26 464	9 775	25 105
Other assets of subsidiaries not included in segment	673	584	590	554
Total assets	334 307	355 893	292 917	337 625
Segment liabilities for reportable segment	151 785	166 713	132 992	158 153
Unallocated:				
Loan from related parties	24 950	38 488	21 861	36 513
Loan from other companies	300	300	263	285
Other liabilities of subsidiaries not included in segment	156	157	137	149
Total liabilities	177 191	205 658	155 253	195 100

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

3. Related party transactions

for the period ended 30 June 2017

	2017		30.06.2017.	
	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	10 536	-	118	(1 550)
Technical management fee and IT services / Outstanding balances	195	-	5	-
Interest expense / Outstanding balances	-	(38)	-	(24 950)
Real estate rent / Outstanding balances	45	-	8	-
Consulting services / Outstanding balances	11	(68)	4	(28)
Other services / Outstanding balances	19	-	2	-
Total	10 806	(106)	137	(26 528)
Including:				
Non-current trade and other payables			-	(24 950)
Current trade and other receivables/ trade and other payables			137	(34)
Deferred income			-	(1 544)
Total			137	(26 528)

	2017		30.06.2017.	
	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	9 742	-	103	(1 358)
Technical management fee IT services / Outstanding balances	180	-	4	-
Interest expense / Outstanding balances	-	(35)	-	(21 861)
Real estate rent / Outstanding balances	41	-	8	-
Consulting services / Outstanding balances	11	(62)	4	(24)
Other services / Outstanding balances	17	-	2	-
Total	9 991	(97)	121	(23 243)
Including:				
Non-current trade and other payables			-	(21 861)
Current trade and other receivables/ trade and other payables			121	(29)
Deferred income			-	(1 353)
Total			121	(23 243)

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

3. Related party transactions *(continued)*

for the period ended 30 June 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	17 652	-	1 301	(806)
Technical management fee and IT services / Outstanding balances	163	-	7	-
Interest expense / Outstanding balances	-	(706)	-	(41 438)
Real estate rent / Outstanding balances	61	-	12	-
Consulting services / Outstanding balances	-	(100)	2	(7)
Other services / Outstanding balances	17	-	5	-
Total	17 893	(806)	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	15 824	-	1 235	(765)
Technical management fee IT services / Outstanding balances	158	-	6	-
Interest expense / Outstanding balances	-	(631)	-	(39 312)
Real estate rent / Outstanding balances	55	-	11	-
Consulting services / Outstanding balances	-	(90)	2	(7)
Other services / Outstanding balances	16	-	5	-
Total	16 053	(721)	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 of the Group

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

Net profit/(loss): Position "Profit/(loss) for the period" of the LSC Group's Consolidated Income Statement.

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 or its reversals.

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 or its reversals.

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.