

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

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

**for the nine month period ended 30 September 2017**



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## **Supervisory Council**

**Chairman of the Supervisory Council** Vladimir Egger

**Deputy Chairperson of the Supervisory Council**

Christopher James Kernon (from September 19, 2017)

Dzmitry Yudzin (from April 27, 2017 until September 19, 2017)

Kaspars Bunne (until April 26, 2017)

**Members of the Supervisory Council:**

Aleksej Tarasov

Andrea Schlaepfer

Varvara Maximova

Olga Kurenkova

Nafiset Negouch (from April 26, 2017)

Dzmitry Yudzin (until April 26, 2017 and from September 19, 2017)

Giovanni Fagioli (until July 21, 2017)

Artūrs Neimanis (until September 19, 2017)

Kristo Oidermaa (until September 19, 2017)

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

- Vladimir Egger* Re-elected in the position of the member of the Supervisory Council on 19 September 2017 for 5 years term and is the Chairman of the Supervisory Council. 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.
- Christopher James Kernon* Elected in the position of the member of the Supervisory Council on 19 September 2017 for 5 years term and is the Deputy Chairman of the Supervisory Council. Christopher James Kernon has more than 20 years experience in the shipping industry. Since 2003 he was responsible for projects and shipping time charters at Vitol Group, and since 1st September 2017 he is the Head of Vitol Shipping Group. He has B.Eng in Naval Architecture from Newcastle University. He was a member of the Management Board of LSC from February 2011 to September 2017. Christopher James Kernon does not own shares of JSC Latvian Shipping Company.
- Dzmitry Yudzin* Re-elected in the position of the member of the Supervisory Council on 19 September 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. Dmitry Yudzin does not own any shares of JSC Latvian Shipping Company.
- Aleksej Tarasov* Re-elected in the position of the member of the Supervisory Council on 19 September 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). Aleksej 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 Negauch 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 of joint stock company "Latvijas kuģniecība".
- Andrea Schlaepfer* Re-elected in the position of the member of the Supervisory Council on 19 September 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. Andrea 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 19 September 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". Varvara 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 19 September 2017 for 5 years term. Olga 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. Olga Kurenkova 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

Paul Mullholland (from September 20, 2017)

Christopher James Kernon (until September 19, 2017)

## **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 shares of JSC Latvian Shipping Company.

*Paul Thomas*

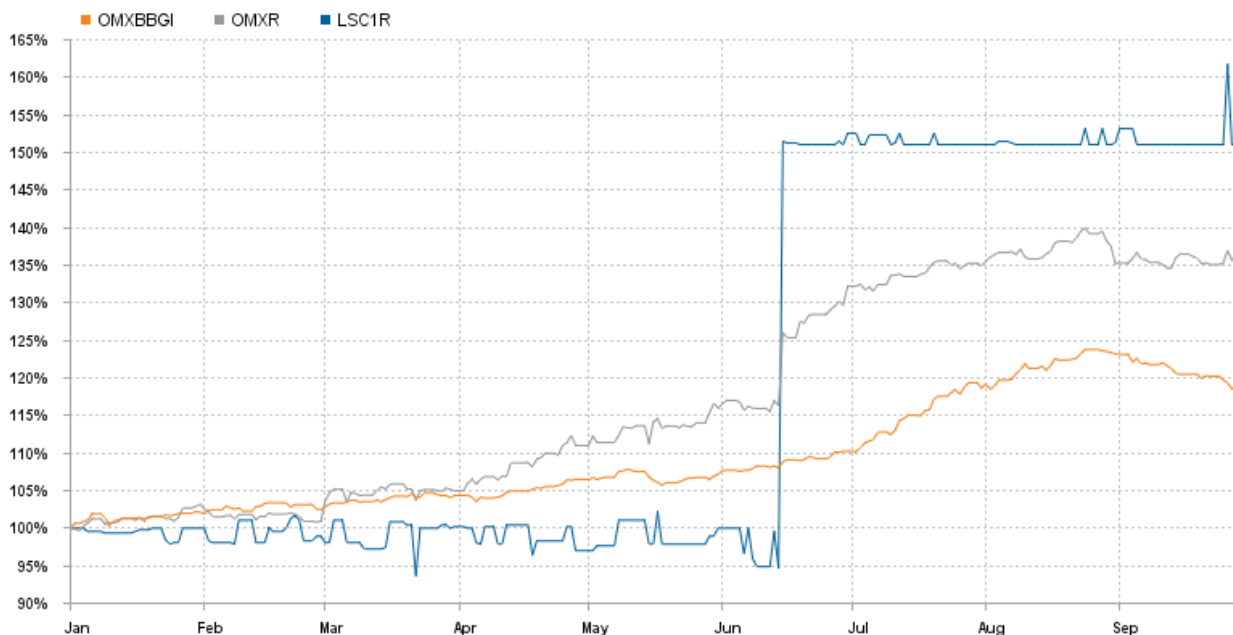
Member of the Management Board of Latvian Shipping Company since July 2010, re-elected for 5 years on March 1, 2016. Employed by Vitol Group since 1988, and director of the shipping company Finaval Spa since 2007. Paul Thomas does not own shares of JSC Latvian Shipping Company.

*Paul Mullholland*

Elected in the Management Board of Latvian Shipping Company for 5 years on 19 September 2017. Paul Mullholland has almost 18 years experience in the energy trading industry, and from 2006 he is the Senior Legal Counsel at Vitol Group. He has graduated from the University of Warwick. Paul Mulholland does not own shares of JSC Latvian Shipping Company.

## Review of the shares

Information on share price/index dynamics for the period from 01.01.2017 until 30.09.2017



Index/Equity	01.01.2017	30.09.2017	+/--%
— OMX Baltic Benchmark GI	788.17	939.54	19.21
— OMX Riga	733.77	998.91	36.13
— LSC1R	0.470 EUR	0.710 EUR	51.06

### 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	9m 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	0.585
Traded volume	985,943	4,575,982	1,449,529	13,160,987	1,443,900	48,249,572
Turnover, million	0.38	2.15	0.66	5.25	0.69	28.24
Capitalisation, million	71.71	111.84	72.00	87.60	94.00	142.00

Information source: JSC „Nasdaq Riga” webpage [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)

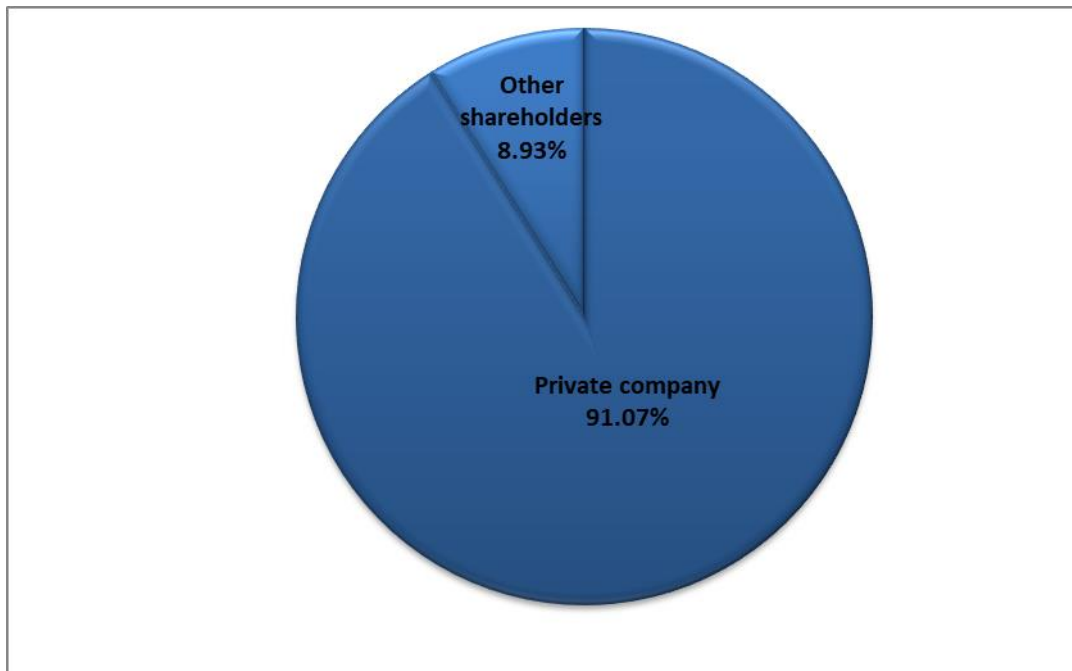


### Review of the shares *(continued)*

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	91.07%
Other shareholders		8.93%

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 nine months 2017 was USD 69.11 million (USD 74.33 million in 9M 2016); weaker net voyage results - USD 55.64 million (USD 66.12 million in 9M 2016);
- Net profit in 9M 2017 was USD 13.08 million (net loss USD 19.33 million in 9M 2016) mainly from the reversal of the fleet revaluation loss and profit from sale of non core assets; decrease in fleet value in 9M 2017 by 13.52 million USD;
- Administrative costs at same level in 9M 2017 – USD 4.06 million (9M 2016 – USD 4.12 million);
- 9M 2017 cash positive for the LSC Group; net cash increase USD 13.19 million (net cash increase in 9M 2016 - USD 6.71 million);
- Fleet operating profit - USD 32.64 million in 9M 2017 considerably lower than previous year (9M 2016 – USD 43.47 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 (25 vessels in total, including 9 third party’ tankers as of November, 2017);
- In June, 2017 the LSC subsidiary SIA "LASCO Investment" sold property “Preses nams” for EUR 16.8 million;
- Disposal of SIA “LASCO Investment” real estate properties in further progress;
- 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 11”;
- On August 21, 2017, the LSC majority shareholder Vitol Netherlands B.V., finalised the mandatory share buy-out offer for the remaining share capital of LSC, increasing it’s stake in the LSC above 90%.

### Key financial indicators for LSC Group nine month 2015-2017 (USD million):

	9M 2015 (USD)	9M 2016 (USD)	9M 2017 (USD)
Sales	68.93	74.33	69.11
EBITDA	35.62	40.33	29.74
Profit (loss)/ before tax and exceptionals	15.38	(0.81)	(0.96)
Exceptionals ((loss)/income from financial assets)	(14.21)	0.02	4.50
Exceptionals (fleet impairment/reversal of fleet revaluation loss)	(2.40)	(18.26)	9.77
Net profit/(loss)	(1.41)	(19.33)	13.08

### 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 (A)	Q3 2017 (E)
HS (4 vessels)*	13 468	13 594	14 310	15 651	16 031	13 679	12 744
MR (12 vessels)**	14 174	14 130	16 232	15 347	13 978	13 748	12 559

\*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, 17 November 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 September 2017, changes in shareholders' equity, cash flows and the results of the Group for the period ended 30 September 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

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Robert Kirkup  
Chairman of the Management Board of  
Joint Stock Company Latvian Shipping Company  
Riga, 17 November 2017

**LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017**

## Consolidated income statement

for the period ended 30 September 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Voyage income	66 979	72 434	60 553	65 104
Income from other services	2 127	1 894	1 914	1 703
<b>Revenue</b>	<b>69 106</b>	<b>74 328</b>	<b>62 467</b>	<b>66 807</b>
Voyage costs and commissions	(11 341)	(6 314)	(10 122)	(5 641)
Cost of sales	(49 077)	(54 396)	(44 030)	(48 822)
<b>Gross profit</b>	<b>8 688</b>	<b>13 618</b>	<b>8 315</b>	<b>12 344</b>
Administrative expenses	(4 058)	(4 121)	(3 627)	(3 696)
Revaluation income / (expenses) of non-financial assets	9 761	(18 260)	8 553	(16 277)
Other operating income	4 501	17	3 919	15
Other operating expenses	-	(139)	-	(121)
<b>Operating profit/(loss)</b>	<b>18 892</b>	<b>(8 885)</b>	<b>17 160</b>	<b>(7 735)</b>
Finance income	510	327	453	293
Finance costs	(6 100)	(10 493)	(5 466)	(9 240)
<b>Profit/(loss) before tax</b>	<b>13 302</b>	<b>(19 051)</b>	<b>12 147</b>	<b>(16 682)</b>
Income tax	(223)	(280)	(203)	(251)
<b>Profit/(loss) for the period</b>	<b>13 079</b>	<b>(19 331)</b>	<b>11 944</b>	<b>(16 933)</b>
Attributable to:				
Equity holders of the parent	13 079	(19 331)	11 944	(16 933)
	<b>13 079</b>	<b>(19 331)</b>	<b>11 944</b>	<b>(16 933)</b>
<b>Profit/(loss) per share</b>	<b>US \$ 0.07</b>	<b>US \$ (0.10)</b>	<b>EUR 0.06</b>	<b>EUR (0.08)</b>

*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 September 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
<b>Profit/(loss) for the period</b>	<b>13 079</b>	<b>(19 331)</b>	<b>11 944</b>	<b>(16 933)</b>
<b>Other comprehensive (loss)/income:</b>				
<b>Items that maybe subsequently reclassified to profit or loss</b>				
Exchange differences on translation of foreign operations	(241)	(452)	(16 174)	(945)
Net movement on cash flow hedges	-	218	-	201
<b>Other comprehensive loss for the period, net of tax</b>	<b>(241)</b>	<b>(234)</b>	<b>(16 174)</b>	<b>(744)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>12 838</b>	<b>(19 565)</b>	<b>(4 230)</b>	<b>(17 677)</b>
Attributable to:				
Equity holders of the parent	12 838	(19 565)	(4 230)	(17 677)
	<b>12 838</b>	<b>(19 565)</b>	<b>(4 230)</b>	<b>(17 677)</b>

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## Consolidated statement of financial position

as at 30 September 2017

	30.09.2017. US \$'000	31.12.2016. US \$'000	30.09.2017. EUR'000	31.12.2016. EUR'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	10	15	8	14
Fleet	252 982	266 500	214 283	252 822
Repairs and upgrades in progress	452	833	383	790
Property, plant and equipment	208	2 389	176	2 267
Investment properties	11 464	26 464	9 711	25 105
Other non-current financial assets	283	250	240	237
<b>Total non-current assets</b>	<b>265 399</b>	<b>296 451</b>	<b>224 801</b>	<b>281 235</b>
<b>Current assets</b>				
Inventories	3 117	2 950	2 640	2 798
Trade and other receivables	4 827	7 132	4 088	6 765
Prepayments	1 116	1 681	946	1 594
Other current financial assets <i>including deposits with maturity more than three months</i>	31 194 31 000	31 814 31 800	26 422 26 258	30 181 30 168
Cash and cash equivalents <i>including clients' cash in our accounts</i>	29 051 4 311	15 865 784	24 607 3 651	15 052 744
<b>Total current assets</b>	<b>69 305</b>	<b>59 442</b>	<b>58 703</b>	<b>56 390</b>
<b>Total assets</b>	<b>334 704</b>	<b>355 893</b>	<b>283 504</b>	<b>337 625</b>

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

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

as at 30 September 2017

	30.09.2017. US \$'000	31.12.2016. US \$'000	30.09.2017. EUR'000	31.12.2016. EUR'000
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	92 668	79 589	73 637	61 693
Other components of equity	(8 326)	(5 746)	2 509	20 832
<b>Total equity</b>	<b>160 734</b>	<b>150 235</b>	<b>136 146</b>	<b>142 525</b>
<b>Non-current liabilities</b>				
Interest bearing loans	81 551	127 900	69 076	121 335
Trade and other payables	25 820	38 499	21 870	36 523
Deferred tax liabilities	119	106	100	100
<b>Total non-current liabilities</b>	<b>107 490</b>	<b>166 505</b>	<b>91 046</b>	<b>157 958</b>
<b>Current liabilities</b>				
Trade and other payables	12 275	12 799	10 398	12 141
Interest bearing loans	51 249	24 605	43 410	23 342
Deferred income	2 956	1 749	2 504	1 659
<b>Total current liabilities</b>	<b>66 480</b>	<b>39 153</b>	<b>56 312</b>	<b>37 142</b>
<b>Total equity and liabilities</b>	<b>334 704</b>	<b>355 893</b>	<b>283 504</b>	<b>337 625</b>

*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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017**

## Consolidated statement of changes in equity

for the period ended 30 September 2017

	Attributable to the holders of the parent						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	
<b>As at 31 December 2015</b>	<b>76 392</b>	<b>5 824</b>	<b>(218)</b>	<b>(16 821)</b>	<b>(14 378)</b>	<b>104 590</b>	<b>155 389</b>
Loss for the period	-	-	-	-	-	(19 331)	(19 331)
Other comprehensive loss	-	-	218	(452)	-	-	(234)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>(452)</b>	<b>-</b>	<b>(19 331)</b>	<b>(19 565)</b>
Other reserves	-	-	-	-	20 050	-	20 050
<b>As at 30 September 2016</b>	<b>76 392</b>	<b>5 824</b>	<b>-</b>	<b>(17 273)</b>	<b>5 672</b>	<b>85 259</b>	<b>155 874</b>
Loss for the period	-	-	-	-	-	(5 670)	(5 670)
Other comprehensive income	-	-	-	31	-	-	31
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>(5 670)</b>	<b>(5 639)</b>
<b>As at 31 December 2016</b>	<b>76 392</b>	<b>5 824</b>	<b>-</b>	<b>(17 242)</b>	<b>5 672</b>	<b>79 589</b>	<b>150 235</b>
Profit for the period	-	-	-	-	-	13 079	13 079
Other comprehensive loss	-	-	-	(241)	-	-	(241)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(241)</b>	<b>-</b>	<b>13 079</b>	<b>12 838</b>
Other reserves	-	-	-	-	(2 339)	-	(2 339)
<b>As at 30 September 2017</b>	<b>76 392</b>	<b>5 824</b>	<b>-</b>	<b>(17 483)</b>	<b>3 333</b>	<b>92 668</b>	<b>160 734</b>



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

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

for the period ended 30 September 2017

	Attributable to the holders of the parent						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	
<b>As at 31 December 2015</b>	<b>60 000</b>	<b>4 574</b>	<b>(201)</b>	<b>5 073</b>	<b>(9 397)</b>	<b>82 680</b>	<b>142 729</b>
Loss for the period	-	-	-	-	-	(16 933)	(16 933)
Other comprehensive loss	-	-	201	(945)	-	-	(744)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>201</b>	<b>(945)</b>	<b>-</b>	<b>(16 933)</b>	<b>(17 677)</b>
Other reserves	-	-	-	-	14 607	-	14 607
<b>As at 30 September 2016</b>	<b>60 000</b>	<b>4 574</b>	<b>-</b>	<b>4 128</b>	<b>5 210</b>	<b>65 747</b>	<b>139 659</b>
Loss for the period	-	-	-	-	-	(4 054)	(4 054)
Other comprehensive income	-	-	-	6 920	-	-	6 920
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 920</b>	<b>-</b>	<b>(4 054)</b>	<b>2 866</b>
<b>As at 31 December 2016</b>	<b>60 000</b>	<b>4 574</b>	<b>-</b>	<b>11 048</b>	<b>5 210</b>	<b>61 693</b>	<b>142 525</b>
Profit for the period	-	-	-	-	-	11 944	11 944
Other comprehensive loss	-	-	-	(16 174)	-	-	(16 174)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16 174)</b>	<b>-</b>	<b>11 944</b>	<b>(4 230)</b>
Other reserves	-	-	-	-	(2 149)	-	(2 149)
<b>As at 30 September 2017</b>	<b>60 000</b>	<b>4 574</b>	<b>-</b>	<b>(5 126)</b>	<b>3 061</b>	<b>73 637</b>	<b>136 146</b>

**LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017**

## Consolidated statement of cash flows

for the period ended 30 September 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
<b>Operating activities</b>				
<b>Profit/(loss) before tax</b>	<b>13 302</b>	<b>(19 051)</b>	<b>12 147</b>	<b>(16 682)</b>
<u>Adjustments for:</u>				
Depreciation and amortisation	25 107	30 975	22 580	27 827
Result on disposal of non-financial assets	(4 501)	(17)	(3 919)	(15)
Revaluation income/expenses of the fleet	(9 761)	18 260	(8 553)	16 277
Other adjustments	5 840	6 649	2 909	4 929
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	2 870	14 110	3 325	13 101
Changes in inventories	(167)	(388)	158	(295)
Changes in trade and other payables	3 634	3 210	1 902	2 599
<b>Net cash flows generated from operating activities</b>	<b>36 324</b>	<b>53 748</b>	<b>30 549</b>	<b>47 741</b>
Net cash flows from investing activities	4 620	5 380	3 951	4 747
<b>Cash flows before financing activities</b>	<b>40 944</b>	<b>59 128</b>	<b>34 500</b>	<b>52 488</b>
Net cash flows used in financing activities	(27 758)	(52 416)	(24 945)	(46 969)
<b>Net increase in cash and cash equivalents</b>	<b>13 186</b>	<b>6 712</b>	<b>9 555</b>	<b>5 519</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15 865</b>	<b>21 987</b>	<b>15 052</b>	<b>20 195</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29 051</b>	<b>28 699</b>	<b>24 607</b>	<b>25 714</b>

## **Notes to the unaudited condensed consolidated financial statements**

### **1. Accounting policies**

These unaudited condensed consolidated financial statements are prepared in accordance with and comply with accounting policies applied in preparation of the consolidated financial statements of Latvian Shipping Company and its Subsidiaries for the year ended 31 December 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 30.09.2017 EUR/USD – 1.1806 (average – 1.112772)

ECB (the European Central Bank) rate of exchange as at 30.09.2016 EUR/USD – 1.1161 (average – 1.115964)

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 September 2017

	2017 US \$'000	2016 US \$'000	2017 EUR'000	2016 EUR'000
Time charter out revenue	43 890	57 012	39 862	51 320
Voyage revenue	23 089	15 422	20 691	13 784
<b>Voyage income from external customers</b>	<b>66 979</b>	<b>72 434</b>	<b>60 553</b>	<b>65 104</b>
Voyage costs and commissions	(11 341)	(6 314)	(10 122)	(5 641)
<b>Net voyage result</b>	<b>55 638</b>	<b>66 120</b>	<b>50 431</b>	<b>59 463</b>
Vessel operating costs	(22 999)	(22 649)	(20 583)	(20 302)
<b>Vessel operating profit</b>	<b>32 639</b>	<b>43 471</b>	<b>29 848</b>	<b>39 161</b>
Income from other revenues	1 686	1 344	1 514	1 209
Costs of sales (Vessel operating costs excluding)	(840)	(613)	(748)	(551)
Administrative expenses	(3 890)	(3 829)	(3 476)	(3 434)
Result from disposal of non-financial assets	2 509	1	2 138	1
Depreciation and amortisation	(24 688)	(30 586)	(22 202)	(27 478)
Revaluation income/impairment loss of non-financial assets	9 761	(18 260)	8 553	(16 277)
Other operating expenses	-	(127)	-	(111)
<b>Result before financial items</b>	<b>17 177</b>	<b>(8 599)</b>	<b>15 627</b>	<b>(7 480)</b>
Interest income	510	327	453	293
Interest expense	(4 969)	(5 882)	(4 457)	(5 276)
Finance expenses, net	(1 241)	(3 805)	(1 107)	(3 244)
<b>Net result before tax</b>	<b>11 477</b>	<b>(17 959)</b>	<b>10 516</b>	<b>(15 707)</b>
<b>Segment assets</b>	<b>322 565</b>	<b>328 845</b>	<b>273 221</b>	<b>311 966</b>
Including additions to non-current assets	966	3 028	818	2 735
<b>Segment liabilities</b>	<b>147 776</b>	<b>166 713</b>	<b>125 171</b>	<b>158 153</b>

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 September 2017

	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>US \$'000</b>	<b>US \$'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net result before tax for reportable segment	11 477	(17 959)	10 516	(15 707)
Other revenues	441	550	400	494
Costs of sales	(622)	(672)	(562)	(603)
Administrative expenses	(96)	(168)	(86)	(150)
Result from disposal of non-financial assets	1 992	16	1 781	14
Other operating expenses	-	(12)	-	(10)
Interest expenses	-	(829)	-	(741)
Finance income, net	110	23	98	21
<b>Profit/(loss) before tax</b>	<b>13 302</b>	<b>(19 051)</b>	<b>12 147</b>	<b>(16 682)</b>
	<b>30.09.2017.</b>	<b>31.12.2016.</b>	<b>30.09.2017.</b>	<b>31.12.2016.</b>
Segment assets for reportable segment	322 565	328 845	273 221	311 966
<b>Unallocated:</b>				
Investment properties	11 464	26 464	9 711	25 105
Other assets of subsidiaries not included in segment	675	584	572	554
<b>Total assets</b>	<b>334 704</b>	<b>355 893</b>	<b>283 504</b>	<b>337 625</b>
Segment liabilities for reportable segment	147 776	166 713	125 171	158 153
<b>Unallocated:</b>				
Loan from related parties	25 809	38 488	21 861	36 513
Loan from other companies	300	300	254	285
Other liabilities of subsidiaries not included in segment	85	157	72	149
<b>Total liabilities</b>	<b>173 970</b>	<b>205 658</b>	<b>147 358</b>	<b>195 100</b>

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

### 3. Related party transactions

for the period ended 30 September 2017

	2017		30.09.2017.	
	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	15 795	-	116	(1 784)
Technical management fee and IT services / Outstanding balances	448	-	11	-
Interest expense / Outstanding balances	-	(38)	-	(25 809)
Real estate rent / Outstanding balances	68	-	9	-
Consulting services / Outstanding balances	9	(91)	2	(30)
Other services / Outstanding balances	45	-	6	-
<b>Total</b>	<b>16 365</b>	<b>(129)</b>	<b>144</b>	<b>(27 623)</b>

Including:

Non-current trade and other payables	-	(25 809)
Current trade and other receivables/ trade and other payables	144	(36)
Deferred income	-	(1 778)
<b>Total</b>	<b>144</b>	<b>(27 623)</b>

	2017		30.09.2017.	
	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	14 194	-	98	(1 511)
Technical management fee IT services / Outstanding balances	399	-	9	-
Interest expense / Outstanding balances	-	(35)	-	(21 861)
Real estate rent / Outstanding balances	61	-	7	-
Consulting services / Outstanding balances	8	(81)	1	(25)
Other services / Outstanding balances	40	-	5	-
<b>Total</b>	<b>14 702</b>	<b>(116)</b>	<b>120</b>	<b>(23 397)</b>

Including:

Non-current trade and other payables	-	(21 861)
Current trade and other receivables/ trade and other payables	120	(30)
Deferred income	-	(1 506)
<b>Total</b>	<b>120</b>	<b>(23 397)</b>

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

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

for the period ended 30 September 2016

	<b>2016</b>		<b>31.12.2016.</b>	
	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	26 098	-	1 301	(806)
Technical management fee and IT services / Outstanding balances	266	-	7	-
Interest expense / Outstanding balances	-	(1 007)	-	(41 438)
Real estate rent / Outstanding balances	83	-	12	-
Consulting services / Outstanding balances	-	(129)	2	(7)
Other services / Outstanding balances	26	-	5	-
<b>Total</b>	<b>26 473</b>	<b>(1 136)</b>	<b>1 327</b>	<b>(42 251)</b>

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)
<b>Total</b>	<b>1 327</b>	<b>(42 251)</b>

	<b>2016</b>		<b>31.12.2016.</b>	
	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	23 386	-	1 235	(765)
Technical management fee IT services / Outstanding balances	238	-	6	-
Interest expense / Outstanding balances	-	(900)	-	(39 312)
Real estate rent / Outstanding balances	74	-	11	-
Consulting services / Outstanding balances	-	(115)	2	(7)
Other services / Outstanding balances	23	-	5	-
<b>Total</b>	<b>23 721</b>	<b>(1 015)</b>	<b>1 259</b>	<b>(40 084)</b>

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)
<b>Total</b>	<b>1 259</b>	<b>(40 084)</b>

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

### 4. The explanation of the key financial indicators of the Group

**Sales:** 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/(loss) 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.