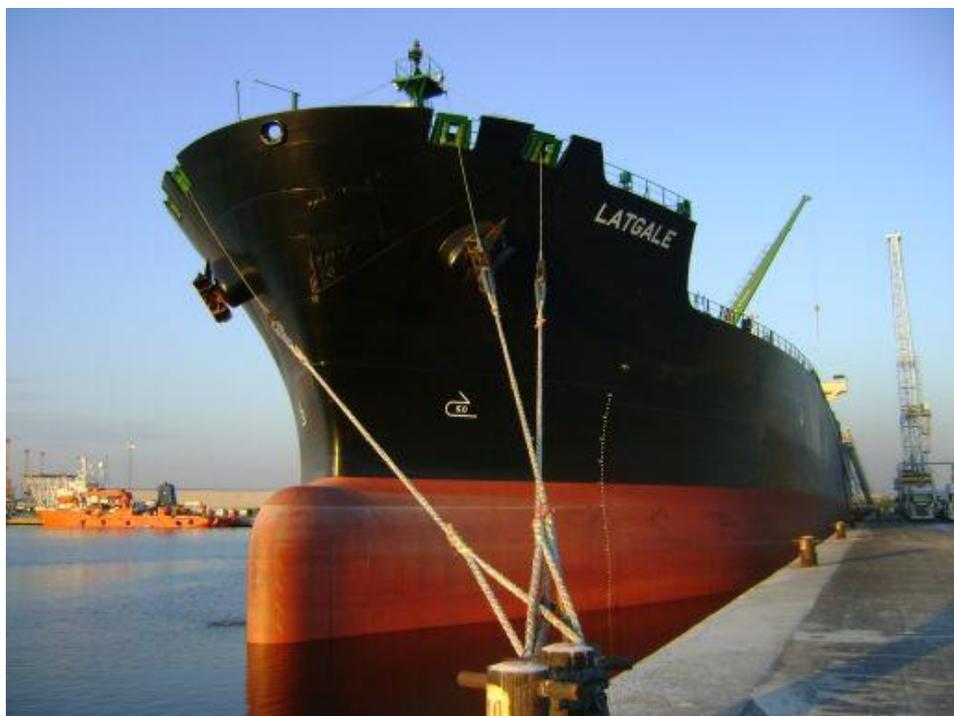


**Public Joint Stock Company
Latvian Shipping Company and its Subsidiaries**

Unaudited Condensed Interim Consolidated Financial Statements

for the nine month period 30 September 2015



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Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger (until April 27, 2015; from May 14, 2015 until July 16, 2015; from July 31, 2015)
Deputy Chairperson of the Supervisory Council	Rubil Yilmaz (until April 27, 2015; from May 14, 2015 until July 16, 2015) Boris Bednov (from July 31, 2015)
Members of the Supervisory Council:	Vladimir Egger (from April 27, 2015 until May 14, 2015; from July 16, 2015 until July 31, 2015) Rubil Yilmaz (from April 27, 2015 until May 14, 2015) Simon Boddy (until April 27, 2015) Yulia Vereschagina (until April 27, 2015) Ivars Girgensons (until April 27, 2015) Dzmitry Yudzin (from April 27, 2015) Boris Bednov (from April 27, 2015 until July 31, 2015) Artūrs Neimanis (from April 27, 2015) Aleksej Tarasov (from July 16, 2015) Andrea Schlaepfer Varvara Maximova Olga Kurenkova Giovanni Fagioli Kristo Oidermaa

Professional experience of the members of the Supervisory Council

- Vladimir Egger* Re-elected in the position of the Chairman of the Supervisory Council on July 31, 2015. Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010. The chief Representative of Vitol Services B.V Moscow. Mr. Egger has almost 30 years experience in trade of raw materials. Before joining Vitol he was Managing Director of Lukoil Asia Pacific based in Singapore and Beijing (China). Professional education: Bachelor's Degree in Economics and Business Management Master's Degree. Vladimir Egger does not own shares of JSC Latvian Shipping Company.
- Boris Bednov* Elected in the position of the Deputy Chairman of the Supervisory Council on July 31, 2015. Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Boris Bednov has worked as a member of the Management Board of JSC "Ventspils nafta" since April 28, 2010. He is an oil and transit industry professional. He began his career in the oil and transit business in 1982 as a Refinery Engineer. Since 1993 he has been working as Oil Trader. He has been the Head of the Lithuanian office of Vitol, based in Mazeikai, from 1996 till 2014. Since August, 2014 he has been employed in leading position by "Vitol Baltics" Ltd office in Riga. Professional education: he has graduated the D. Mendeleev University of Chemical Technology in Russia. Boris Bednov does not own any shares of JSC Latvian Shipping Company.
- Andrea Schlaepfer* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Andrea Schlaepfer is also a member of the Supervisory Council of JSC "Ventspils nafta". A. Schlaepfer is Head of Corporate Affairs at Vitol. She joined Vitol in February 2013. Prior to this she was Executive Director of Communications at LCH.Cleantnet. She has over 15 years' experience in communications, primarily in the financial sector and has worked in an advisory capacity in communication firms, including Citigate Dewe Rogerson, and as head of European communications for Schrodgers Investment Management. She has a degree in Philosophy and Modern Languages from the University of Oxford. A.Schlaepfer does not own shares of JSC Latvian Shipping Company.
- Varvara Maximova* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Varvara Maximova is also a member of the Supervisory Council of JSC "Ventspils nafta". V.Maximova is employed by Business Development Finance at Vitol since 2013. Previously she has worked for Natixis Bank and VTB Capital in Moscow. V.Maximova has degree in banking and finance from London School of Economics and Political Science and degree in economics from Russian State University "Higher School of Economics". V.Maximova does not own shares of JSC Latvian Shipping Company.
- Olga Kurenkova* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Olga Kurenkova is also a member of the Supervisory Council of JSC "Ventspils nafta". O.Kurenkova works at representative office of "Vitol Services B.V., The Netherlands" since 2012 as a head of logistic department. Previously since 2000 she was employed by representative office of "VNT S.A., Switzerland" as a logistic manager and head of logistic department. O.Kurenkova has graduated Moscow Aircraft Institute (MAI), economical department in 1990. O.Kurenkova does not own shares of JSC Latvian Shipping Company.
- Giovanni Fagioli* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Giovanni Fagioli is the chief executive officer of Finaval S.p.A. and BCC1 S.p.A. He has almost 25 years experience in the shipping sector. He is also Chairman of the private equity fund FH S.p.A. He was previously member of the Board of Directors of SACE (MEF), Meta S.p.A. and Fineco Bank. G.Fagioli does not own shares of JSC Latvian Shipping Company.
- Kristo Oidermaa* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Kristo Oidermaa has been working in the financial sector since 2006 and currently hold the portfolio manager's position in LHV Asset Management. Previously he was working as a senior analyst in LHV Bank and also filled the analyst roles in Avaron Asset Management and Trigon Capital. K.Oidermaa have a BA Economics degree from the University of Manchester and he is also a CFA charterholder. Kristo Oidermaa does not own shares of JSC Latvian Shipping Company.

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

- Dzmitry Yudzin* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Dzmitry Yudzin is also a member of the Supervisory Council of JSC "Ventspils nafta". D. Yudzin has worked for Belarussian Oil Company since 2009. In May 2014, he joined the Vitol Services B.V. (The Netherlands) Representative office. In December 2014, he joined the SIA "Vitol Baltics" and since then has continuously worked there as trader. Professional education: degree in Economy from Belarussian National Polytechnic University. Dzmitry Yudzin does not own any shares of JSC Latvian Shipping Company.
- Artūrs Neimanis* Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Artūrs Neimanis is the adviser of Welfare Minister in the issues related to administration, finance and human resources since January 2014. Previously he was employed in leading positions related to the security at "GE Money Bank". Professional education: bachelor degree in business management from Information system management institution of higher education and qualification of lawyer from Latvian Police academy. Artūrs Neimanis does not own any shares of JSC Latvian Shipping Company.
- Aleksej Tarasov* Elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Aleksej Tarasov has worked as a member of the Management Board of JSC Ventspils Nafta since January 6, 2011, and was re-elected for a period of 3 years on June 26, 2013. He has worked for Mazeikiu Nafta since 1986. In 1997, he joined the Vitol Lithuania office and since then has continuously worked there as Technical Specialist. Main fields of his expertise include logistics, transportation, storage, and product quality preservation. Professional education: degree in Engineering from the St-Petersburg VVMURE Academy (currently – the Naval Institute of Marine Radioelectronics, VVMURE named after A.S. Popov). Mr Aleksej Tarasov does not own any shares of JSC Latvian Shipping Company.

Management Board

Chairman of the Management Board

Robert Kirkup

Members of the Management Board

Paul Thomas

Christopher James Kernon

Professional experience of the members of the Management Board

Robert Kirkup

The Chairman of the Management Board since March 1, 2014, elected for 5 years term. Previously he took the position of the Chairman of the Supervisory Council since October 17, 2013. Robert Kirkup is also the Chairman of the JSC Ventspils nafta Management Board since 1 September 2013. R. Kirkup also holds positions in JSC Ventspils nafta subsidiaries - he is the Chairman of the Supervisory Council of LatRosTrans Ltd, as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd. In 1996 he joined the Vitol Group and has held a variety of management positions in oil, sugar and metal. Professional education: BA Honours Degree in Business. Mr. Robert Kirkup does not own any shares of JSC Latvian Shipping Company.

Paul Thomas

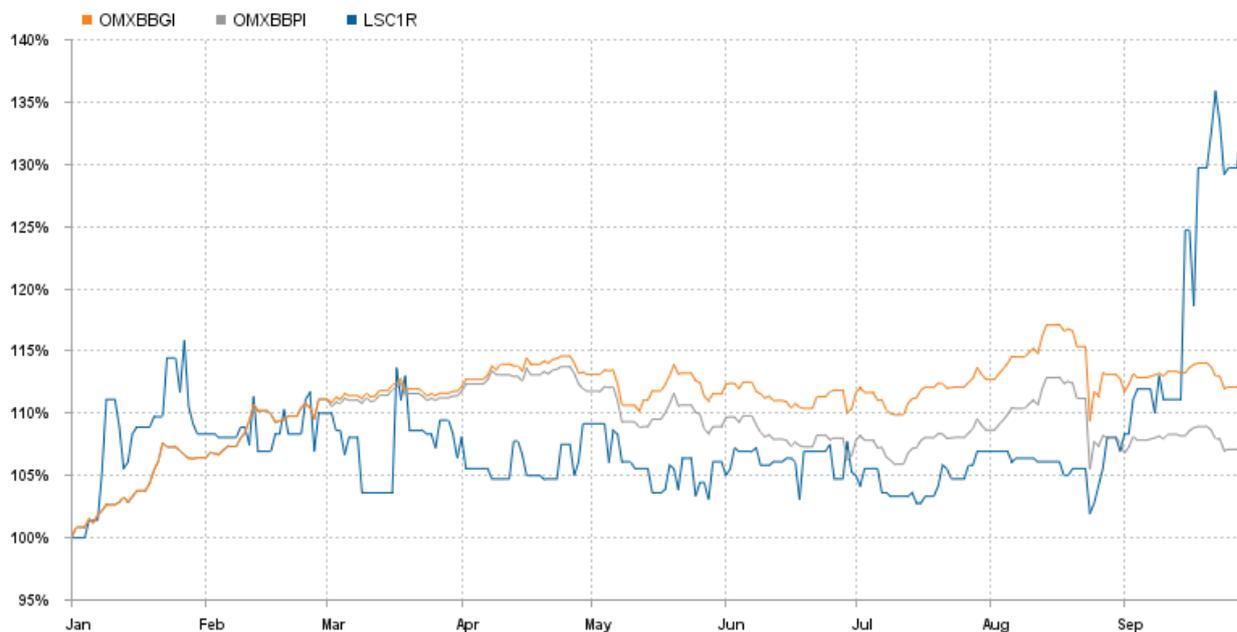
Head of Vitol Group's World Wide Shipping, employed by Vitol Group since 1988, director of the shipping company Finaval Spa since 2007, Member of the Management Board of Latvian Shipping Company since July 2010, elected for 5 years term. Paul Thomas does not own shares of JSC Latvian Shipping Company.

*Christopher James
Kernon*

With more than 20 years experience in the shipping industry. Previously C. Kernon was responsible for shipping and chartering in Asia and Australia for Vitol Group. Since 2003 he is responsible for projects and shipping time charters at Vitol Group. Member of the Management Board of Latvian Shipping Company since February, 2011, elected for 5 years term. Christopher Kernon does not own shares of the JSC Latvian Shipping Company.

Review of the shares

Information on share price/index dynamics for the period from 01.01.2015 until 30.09.2015



Index	01.01.2015	30.09.2015	+/-%
—OMX Baltic Benchmark GI	566.56	629.27	11.07
—OMX Baltic Benchmark PI	328.61	348.70	6.11
—LSC1R	0.360 EUR	0.475 EUR	31.94

Securities information

ISIN	LV0000101103
Ticker	LSC1R
Market	BALTIC MAIN LIST
Issuer	Latvijas kuģniecība (LSC)
Nominal value	0.30 EUR
Total number of securities	200 000 000
Number of listed securities	200 000 000
Listing date	26.06.2002
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history, EUR

Price	2010	2011	2012	2013	2014	9M/2015
Open	0.583	0.526	0.444	0.359	0.550	0.360
High	0.740	0.655	0.492	0.593	0.580	0.500
Low	0.484	0.428	0.289	0.327	0.352	0.360
Last	0.539	0.438	0.359	0.559	0.360	0.475
Average	0.575	0.487	0.406	0.437	0.453	0.384
Traded volume	5,058,251	13,526,230	985,943	4,575,982	1,449,529	11,709,226
Turnover, million	2.89	8.32	0.38	2.15	0.66	4.50
Capitalisation, million	107.85	87.65	71.71	111.84	72.00	95.00

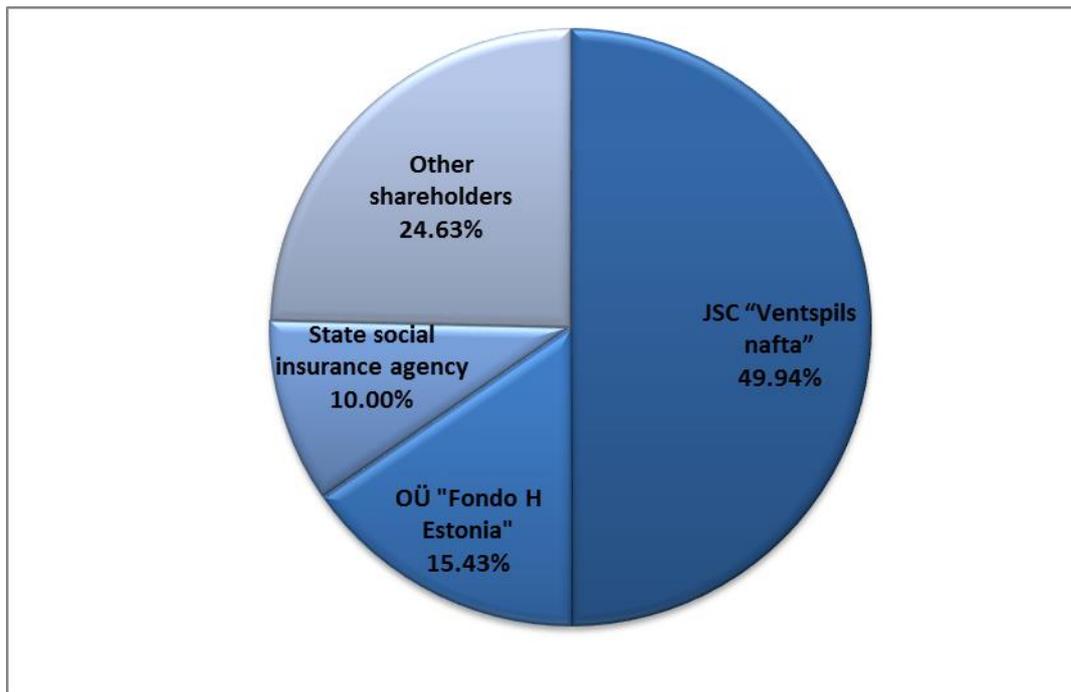
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

Review of the shares *(continued)*

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

Name	Description	Ownership interest
JSC "Ventspils nafta"	Listed company	49.94%
OÜ "Fondo H Estonia"	Private company	15.43%
State social insurance agency	Government institution	10.00%

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



Management report

Dear shareholders and other stakeholders,

Latvian Shipping Company (“LSC” or “the Company”) and its subsidiaries (“LSC Group” or “the Group”) have recorded a loss of USD 1.41 million (9M 2014 - USD 14.17 million) for the first nine months of the year. This was primarily due to a loss arising from the reconsolidation of SIA “LASCO Investment” and its subsidiaries of USD 13.62 million.

Overall, the shipping market performed well in the nine months of 2015. Revenues held up well at USD 68.93 million (USD 69.71 million in 9M 2014), with a net voyage result of USD 61.27 million (USD 57.99 million in 9M 2014). Strong revenues, coupled with favourable foreign exchange movements, resulted in a net profit before exceptional of USD 13.68 million (9M 2014 – USD 6.17 million). Despite minor impairments in Q3 of USD 0.35 million in relation to the fleet – bringing the total impairment in respect of the fleet to USD 2.40 million year to date (9M 2014 - USD 32.25 million).

The key financial indicators for LSC Group for 9 months for the last three financial years are as follows (USD million):

	9M 2013	9M 2014	9M 2015
Sales	78.75	69.71	68.93
EBITDA	36.76	28.59	35.62
Profit before exceptionals	4.43	6.17	15.19
Exceptionals (net of loss from financial assets & consolidation of net liabilities)	(5.40)	11.92	(14.21)
Exceptionals (fleet impairment)	(23.67)	(32.25)	(2.40)
Net loss	(24.64)	(14.17)	(1.41)

Following a settlement between the creditors of SIA “LASCO Investment” – a subsidiary of LSC, on August 24 the Riga City Vidzeme District Court decided to fully restore SIA “LASCO Investment” to solvency. SIA “LASCO Investment” is a holding company which primarily invests in and manages real estate. LSC Group intends to sell these real estate assets to help meet its financial obligations and maintain its focus on the core business of shipping.

Administrative costs fell significantly to USD 5.67 million (9M 2014 - USD 7.34 million), despite large legal expenses amounting to USD 1.60 million USD. The strong USD/EURO exchange rate contributed positively to Group results as income is in US dollars, but administrative expenses are predominantly in euros.

The LSC Group cash flows were positive for the first nine months of 2015, with a net cash increase of USD 3.24 million (net cash increase in the 9M 2014 was USD 1.75 million).

As at the 30th September 2015 the total value of the LSC Group assets was USD 448.26 million (31st December 2014 - USD 421.82 million); an increase primarily due to the consolidation of investment properties owned by SIA “LASCO Investment” and its affiliates. The total value of the LSC Group’s fleet at 30th September 2015 was USD 333.94 million (31st December 2014 - USD 344.00 million). The total equity value of the Group as at 30th September 2015 was USD 157.91 million (31st December 2014 - USD 163.46 million).

There was no change in the LSC Group’s commercial fleet of sixteen vessels during the reporting period, but the LSC subsidiary “LSC Shipmanagement” Ltd is managing an additional four third-party tankers, bringing the total to twenty vessels. This number is expected to increase further during the coming months. The increase in the technical management of third-party vessels is testament to the competency and professionalism of LSC Group staff and is generating additional income for the Group. The fleet operating profit for the nine months of 2015 reached USD 39.39 million which was an improvement on the previous year (9M 2014 – USD 34.96 million) due, as previously mentioned, to higher charter rates.

At the end of the reporting period 88% (fourteen vessels) of the LSC fleet were employed on period business (time-charter). The average employment period for the portion of the fleet on time charter plus bareboat charter as at the end of reporting period was 8 months; excluding the bareboat charters (twelve vessels) – 7.7 months.

Management report (continued)

The LSC Group's handy size vessels trade predominantly within Europe but are also technically suitable to trade within ice bound regions such as the Baltic and East Coast Canada, whereas the medium range tankers, with their greater cargo carrying capacity, trade world-wide with again having the ability to trade in most ice bound regions of the world.

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

Fleet	Y 2010	Y 2011	Y 2012	Y 2013	Y2014	Q1 2015	Q2 2015	Q3 2015(E)
HS (4 vessels)*	10 271	11 216	12 703	13 468	13 594	14 104	14 313	14 407
MR (12 vessels)**	11 849	12 882	13 168	14 174	14 130	16 344	17 213	15 843
LR1 (1 vessel)***	16 826	13 623	12 086	12 122	n/a	n/a	n/a	n/a

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

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

***Vessel delivered to new owner in June 2014

Explanations:

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

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

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

Market overview

The product tanker sector has continued to enjoy positive earnings throughout Q3. The decrease in the price of crude oil and, as a consequence refined products, towards the end of 2014 has continued to stimulate demand for refined oil and allowed oil refineries to make positive margins from refining. Q4 has seen some retrenchment in demand for refined products and consequently a decrease in demand for product tankers. However given Q3 is traditionally refinery turnaround season and winter demand has yet to make a positive impact on earnings, there remains potential for a positive end to the year. Long-term the world- wide economic environment will continue to have the biggest influence on shipping rates. Crude oil supply remains abundant, but demand is not expected to continue increasing at current rates. Recent talks of refinery cut-backs are perhaps a forewarning that demand for refined products is receding somewhat and that perhaps the product tanker segment may not be so robust going forward.

Corporate matters

A number of corporate matters were settled during Q3. On July 17, 2015 a series of the settlement agreements were signed with a number of individuals, including Former Management Board and Supervisory Council members.

In addition, after the end of the reporting period, LSC Group sold its indirect interest in AS "Latvijas Naftas tranzīts" (LNT) to AS "Ventbunkers". LSC via its subsidiary SIA "Skonto nafta" which held a 16% stake in LNT. The value of the transaction was 15.40 million EUR, including the repayment of a loan to the amount of 2.10 million EUR, previously issued to SIA "Skonto nafta" by LNT. Prior to this transaction, LSC subsidiary SIA "Nafta Invest" acquired 14% of the shares of SIA "Skonto nafta" owned by the minority shareholder. Consequently, prior to the transaction with AS "Ventbunkers", it owned 100% of SIA "Skonto nafta". The funds received will be used to repay part of outstanding LSC Groups loans.

In addition, one of real estate assets owned by SIA "LASCO Investment" – Ventspils sports hall was sold. The sales process of other properties was initiated, in line with the corporate strategy.

Management report (continued)

Future prospects

LSC management intends to propose a material increase in the company's share capital in order to cover shipping debt obligations becoming due in 2016/2017. Supervisory council and shareholder meeting clearance would be required. The potential timing presently envisaged would be during the first half of calendar 2016 once the audited annual accounts are available.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 19 November 2015

Statement of Management's Responsibilities

The Management Board of JSC "Latvian Shipping Company" prepares condensed consolidated financial statements for each reporting period. These condensed consolidated financial statements give a true and fair view of the state of affairs of the JSC "Latvian Shipping Company" and its subsidiaries (hereafter – the Group) as at 30 September 2015, changes in shareholders' equity, cash flows and the results of the Group for the nine month period ended 30 September 2015.

The aforementioned financial statements are prepared in accordance with applicable legislation on a going concern basis. During the reporting period, appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Group and enable the Management to ensure that financial statements are drawn up pursuant to current legislation.

For and on behalf of the Management Board

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 19 November 2015

Consolidated income statement

for the period ended 30 September 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Voyage income	68 033	69 364	60 902	51 122
Income from other services	899	341	807	253
Revenue	68 932	69 705	61 709	51 375
Voyage costs	(6 765)	(11 370)	(6 170)	(8 456)
Cost of sales	(36 476)	(37 387)	(32 858)	(27 720)
Gross profit	25 691	20 948	22 681	15 199
Administrative expenses	(5 668)	(7 344)	(5 114)	(5 392)
Impairment of non-financial assets	(2 395)	(32 247)	(2 198)	(24 084)
Other operating income	1 593	21 456	2 473	15 671
Other operating expenses	(858)	(8 685)	(766)	(6 377)
Consolidation of net financial liabilities	(13 619)	-	(12 086)	-
Operating profit/(loss)	4 744	(5 872)	4 990	(4 983)
Finance income	1 147	328	1 135	257
Finance costs	(7 108)	(8 493)	(6 401)	(6 293)
Loss before tax	(1 217)	(14 037)	(276)	(11 019)
Income tax	(197)	(130)	(176)	(95)
Loss for the period	(1 414)	(14 167)	(452)	(11 114)
Attributable to:				
Equity holders of the parent	(1 286)	(14 044)	(338)	(11 024)
Non-controlling interests	(128)	(123)	(114)	(90)
	(1 414)	(14 167)	(452)	(11 114)
Loss per share	US \$ (0.01)	US \$ (0.07)	EUR(0.00)	EUR (0.06)

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 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Loss for the period	(1 414)	(14 167)	(452)	(11 114)
Other comprehensive income:				
Items that maybe subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	(1 915)	(2 444)	8 835	10 000
Net movement on cash flow hedges	295	429	215	271
Other comprehensive (loss)/income for the period, net of tax	(1 620)	(2 015)	9 050	10 271
Total comprehensive income/(loss) for the period, net of tax	(3 034)	(16 182)	8 598	(843)
Attributable to:				
Equity holders of the parent	(2 423)	(15 625)	8 712	(753)
Non-controlling interests	(611)	(557)	(114)	(90)
	(3 034)	(16 182)	8 598	(843)

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

Consolidated statement of financial position

as at 30 September 2015

	30.09.2015. US \$'000	31.12.2014. US \$'000	30.09.2015. EUR'000	31.12.2014. EUR'000
Assets				
Non-current assets				
Intangible assets	16	16	15	13
Fleet	333 939	343 997	298 053	283 335
Property, plant and equipment	2 659	2 814	2 373	2 318
Investment properties	39 554	4	35 304	4
Other non-current financial assets	305	24 226	272	19 954
Total non-current assets	376 473	371 057	336 017	305 624
Current assets				
Inventories	2 228	1 575	1 988	1 297
Trade and other receivables	2 418	2 312	2 156	1 904
Prepayments	556	737	497	607
Other current financial assets <i>including deposits with maturity more than three months</i>	18 467 700	18 209 17 650	16 483 625	14 998 14 538
Cash and cash equivalents	48 116	27 925	42 946	23 001
Total current assets	71 785	50 758	64 070	41 807
Total assets	448 258	421 815	400 087	347 431

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

Consolidated statement of financial position *(continued)*

as at 30 September 2015

	30.09.2015. US \$'000	31.12.2014. US \$'000	30.09.2015. EUR'000	31.12.2014. EUR'000
Equity and liabilities				
Equity				
Share capital	76 392	76 392	60 000	60 000
Retained earnings	110 395	111 681	88 028	88 366
Other components of equity	(31 318)	(30 181)	(9 267)	(18 317)
Equity attributable to equity holders				
of the parent	155 469	157 892	138 761	130 049
Non-controlling interests	2 441	5 565	2 179	4 584
Total equity	157 910	163 457	140 940	134 633
Non-current liabilities				
Interest bearing loans	170 213	189 649	151 922	156 205
Derivative financial instruments	-	145	-	119
Trade and other payables	75 322	29 661	67 228	24 431
Deferred tax liabilities	3 578	109	3 194	90
Total non-current liabilities	249 113	219 564	222 344	180 845
Current liabilities				
Trade and other payables	11 779	9 612	10 513	7 916
Interest bearing loans	25 903	25 867	23 119	21 306
Derivative financial instruments	462	619	412	510
Deferred income	3 091	2 696	2 759	2 221
Total current liabilities	41 235	38 794	36 803	31 953
Total equity and liabilities	448 258	421 815	400 087	347 431

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

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

Consolidated statement of changes in equity

for the period ended 30 September 2015

	Attributable to the holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	(Accumulated deficit)/retained earnings			
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000			
As at 31 December 2013	362 319	-	(1 218)	(12 029)	-	(137 388)	211 684	6 378	218 062
Loss for the period	-	-	-	-	-	(14 044)	(14 044)	(123)	(14 167)
Other comprehensive loss	-	-	429	(2 010)	-	-	(1 581)	(434)	(2 015)
Total comprehensive loss	-	-	429	(2 010)	-	(14 044)	(15 625)	(557)	(16 182)
Decrease of nominal value of share	(280 103)	-	-	-	-	280 103	-	-	-
Reserve of share capital denomination	(5 824)	5 824	-	-	-	-	-	-	-
As at 30 September 2014	76 392	5 824	(789)	(14 039)	-	128 671	196 059	5 821	201 880
Loss for the period	-	-	-	-	-	(16 990)	(16 990)	1	(16 989)
Other comprehensive loss	-	-	98	(1 225)	-	-	(1 127)	(257)	(1 384)
Total comprehensive loss	-	-	98	(1 225)	-	(16 990)	(18 117)	(256)	(18 373)
Other reserves	-	-	-	-	(20 050)	-	(20 050)	-	(20 050)
As at 31 December 2014	76 392	5 824	(691)	(15 264)	(20 050)	111 681	157 892	5 565	163 457
Loss for the period	-	-	-	-	-	(1 286)	(1 286)	(128)	(1 414)
Other comprehensive loss	-	-	295	(1 432)	-	-	(1 137)	(483)	(1 620)
Total comprehensive loss	-	-	295	(1 432)	-	(1 286)	(2 423)	(611)	(3 034)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(2 513)	(2 513)
As at 30 September 2015	76 392	5 824	(396)	(16 696)	(20 050)	110 395	155 469	2 441	157 910

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

Consolidated statement of changes in equity (continued)

for the period ended 30 September 2015

	Attributable to the holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	(Accumulated deficit)/retained earnings			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000			
As at 31 December 2013	284 574	-	(892)	(22 195)	-	(106 370)	155 117	4 674	159 791
Loss for the period	-	-	-	-	-	(11 024)	(11 024)	(90)	(11 114)
Other comprehensive income	-	-	271	10 000	-	-	10 271	-	10 271
Total comprehensive loss	-	-	271	10 000	-	(11 024)	(753)	(90)	(843)
Decrease of nominal value of share	(220 000)	-	-	-	-	220 000	-	-	-
Reserve of share capital denomination	(4 574)	4 574	-	-	-	-	-	-	-
As at 30 September 2014	60 000	4 574	(621)	(12 195)	-	102 606	154 364	4 584	158 948
Loss for the period	-	-	-	-	-	(14 240)	(14 240)	-	(14 240)
Other comprehensive income	-	-	52	4 480	-	-	4 532	-	4 532
Total comprehensive loss	-	-	52	4 480	-	(14 240)	(9 708)	-	(9 708)
Other reserves	-	-	-	-	(14 607)	-	(14 607)	-	(14 607)
As at 31 December 2014	60 000	4 574	(569)	(7 715)	(14 607)	88 366	130 049	4 584	134 633
Loss for the period	-	-	-	-	-	(338)	(338)	(114)	(452)
Other comprehensive income	-	-	215	8 835	-	-	9 050	-	9 050
Total comprehensive income	-	-	215	8 835	-	(338)	8 712	(114)	8 598
Decrease in non-controlling interests	-	-	-	-	-	-	-	(2 291)	(2 291)
As at 30 September 2015	60 000	4 574	(354)	1 120	(14 607)	88 028	138 761	2 179	140 940

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

Consolidated statement of cash flows

for the period ended 30 September 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Operating activities				
Loss before tax	(1 217)	(14 037)	(276)	(11 019)
<u>Adjustments for:</u>				
Depreciation and amortisation	14 274	14 299	12 864	10 588
Result on disposal of non-financial assets	(271)	(210)	(240)	(164)
Impairment loss of the fleet	2 395	32 247	2 198	24 084
Consolidation of net financial assets	13 619	-	12 086	-
Other adjustments	5 370	(4 894)	5 141	(2 251)
<u>Working capital adjustments:</u>				
Changes in trade and other receivables and prepayments	75	(652)	(142)	(827)
Changes in inventories	(653)	906	(691)	534
Changes in trade and other payables	2 654	(245)	3 043	527
Net cash flows generated from operating activities	36 246	27 414	33 983	21 472
Net cash flows generated from investing activities	9 468	(1 079)	8 841	(749)
Cash flows before financing activities	45 714	26 335	42 824	20 723
Net cash flows used in financing activities	(25 523)	(40 264)	(22 879)	(29 695)
Net increase in cash and cash equivalents	20 191	(13 929)	19 945	(8 972)
Cash and cash equivalents at the beginning of the period	27 925	36 568	23 001	26 797
Cash and cash equivalents at the end of the period	48 116	22 639	42 946	17 825

Notes to the unaudited condensed consolidated financial statements

1. Accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with and comply with accounting policies applied in preparation of the consolidated financial statements of Latvian Shipping Company and its Subsidiaries for the year ended 31 December 2014, which were prepared in accordance with the International Financial Reporting Standards.

The financial statements are prepared in U.S. dollars which is the functional currency of the primary (shipping) business and Euros (EUR) which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia. Functional currency of non-primary businesses is EUR, which is translated to the functional currency of the primary business as described below.

Monetary assets and liabilities of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange stated at the end of the financial period. Share capital and reserves are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange or at the rates prevailing on the transaction dates; and
- (c) all resulting exchange differences are recognised in other comprehensive income.

ECB (the European Central Bank) rate of exchange as at 30.09.2015 EUR/USD – 1.1204 (average – 1.115569)

ECB (the European Central Bank) rate of exchange as at 30.09.2014 EUR/USD – 1.2701 (average – 1.355894)

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

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

2. Segment information

Shipping segment for the period ended 30 September 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Time charter hire income	50 760	48 533	45 207	35 646
Freight income	17 273	20 831	15 695	15 476
Voyage income from external customers	68 033	69 364	60 902	51 122
Voyage costs	(6 765)	(11 370)	(6 170)	(8 456)
Net voyage result	61 268	57 994	54 732	42 666
Vessel operating costs	(21 877)	(23 032)	(19 699)	(17 052)
Vessel operating profit	39 391	34 962	35 033	25 614
Other revenues	843	341	757	253
Costs of sales (Vessel operating costs excluding)	(415)	(225)	(377)	(205)
Administrative expenses	(5 408)	(7 056)	(4 877)	(5 179)
Result from disposal of non-financial assets	5	209	5	164
Depreciation and amortisation	(14 222)	(14 298)	(12 818)	(10 587)
Impairment of non-financial assets	(2 395)	(32 247)	(2 198)	(24 084)
Other operating income	677	856	1 648	649
Result before financial items	18 476	(17 458)	17 173	(13 375)
Interest income	279	281	252	210
Interest expense	(6 726)	(8 084)	(6 050)	(5 993)
Finance income/(expenses), net	551	(345)	602	(240)
Net result before tax	12 580	(25 606)	11 977	(19 398)
Segment assets	390 812	397 235	348 813	327 184
Including additions to non-current assets	6 577	339	5 870	279

For management purposes the Group is organised into business units based on their business activities and has one reportable operating segment - *Shipping*. Shipping segment primarily derives its revenues from the handy sized and medium range tankers transportation services mainly on the basis of time charter agreements. Segment's expenses include voyage costs, commissions, vessel operating expenses (including crew expenses and training) and administrative expenses relating to the management of shipping segment.

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

2. Segment information *(continued)*

Reconciliation of segment results and assets to income statement and statement of financial position for the period ended 30 September 2015

	2015 US \$'000	2014 US \$'000	2015 EUR'000	2014 EUR'000
Net result before tax for reportable segment	12 580	(25 606)	11 977	(19 398)
Other revenues	56	-	50	-
Costs of sales	(92)	-	(82)	-
Administrative expenses	(130)	(120)	(119)	(89)
Result from disposal of non-financial assets	266	-	235	-
Other operating income	645	20 050	585	14 607
Other operating expenses	(858)	(8 344)	(766)	(6 126)
Consolidation of net financial liabilities	(13 619)	-	(12 086)	-
Interest income	3	47	2	35
Interest expenses	(39)	(42)	(46)	(31)
Finance expenses, net	(29)	(22)	(26)	(17)
Loss before tax	(1 217)	(14 037)	(276)	(11 019)
	30.09.2015.	31.12.2014.	30.09.2015.	31.12.2014.
Segment assets for reportable segment	390 812	397 235	348 813	327 184
Unallocated:				
Investment properties	39 554	4	35 304	4
Other assets of subsidiaries not included in segment	303	4 586	271	3 778
Available-for-sale financial assets	17 589	19 990	15 699	16 465
Total assets	448 258	421 815	400 087	347 431

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

3. Related party transactions

for the period ended 30 September 2015

	2015		30.09.2015.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue / Outstanding balances	23 260	-	469	(1 339)
Technical management fee and IT services / Outstanding balances	264	-	5	-
Interest income/(expense) / Outstanding balances	3	(645)	231	(75 292)
Real estate rent / Outstanding balances	82	-	13	-
Consulting services / Outstanding balances	-	(10)	-	(5)
Other services / Outstanding balances	33	-	2	(26)
Total	23 642	(655)	720	(76 662)
Including:				
Non-current			-	(75 318)
Current			720	(161)
Deferred income			-	(1 183)
Total			720	(76 662)

	2015		30.09.2015.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	20 851	-	418	(1 195)
Technical management fee IT services / Outstanding balances	237	-	4	-
Interest income/(expense) / Outstanding balances	2	(581)	207	(67 201)
Real estate rent / Outstanding balances	74	-	12	-
Consulting services / Outstanding balances	-	(9)	-	(4)
Other services / Outstanding balances	30	-	2	(23)
Total	21 194	(590)	643	(68 423)
Including:				
Non-current			-	(67 224)
Current			643	(143)
Deferred income			-	(1 056)
Total			643	(68 423)

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

3. Related party transactions *(continued)*

for the period ended 30 September 2014

	2014		31.12.2014.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue / Outstanding balances	23 030	-	11	(61)
Technical management fee and IT services / Outstanding balances	254	-	4	-
Interest income/(expense) / Outstanding balances	5	(809)	498	(29 660)
Real estate rent / Outstanding balances	57	-	102	-
Consulting services / Outstanding balances	-	(35)	-	(3)
Other services / Outstanding balances	30	-	2	-
Total	23 376	(844)	617	(29 724)
Including:				
Non-current			-	(29 660)
Current			617	(3)
Deferred income			-	(61)
Total			617	(29 724)

	2014		31.12.2014.	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	16 985	-	9	(50)
Technical management fee IT services / Outstanding balances	186	-	3	-
Interest income/(expense) / Outstanding balances	4	(598)	410	(24 430)
Real estate rent / Outstanding balances	42	-	84	-
Consulting services / Outstanding balances	-	(26)	-	(3)
Other services / Outstanding balances	22	-	2	-
Total	17 239	(624)	508	(24 483)
Including:				
Non-current			-	(24 430)
Current			508	(3)
Deferred income			-	(50)
Total			508	(24 483)

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

Contact person with respect to information presented in these financial statements

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Forward-Looking Statements

Matters discussed in the management report may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements. The forward-looking statements in the management report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. In addition to these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for tanker vessel capacity, changes in our operating expenses, including bunker prices, dry-docking and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors. LSC management shall not be liable for the decisions made by third persons based on information provided by LSC management as the forward-looking statements.