

Public Joint Stock Company  
Latvijas Kugniecība

Condensed Financial Statements

31 December 2009

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## General information

Name	Latvijas kuģniecība (hereinafter also referred to as "Company")
Legal status	Joint Stock Company
Registration number, place and date	Reg. No. 40003021108, Riga, 13 September 1991 Reregistered in the Commercial Register on 17 November 2004
Registered Office	1 Elizabetes street, Riga, LV 1807, Latvia
Reporting period	1 <sup>st</sup> January 2009 – 31 <sup>st</sup> December 2009
Previous reporting period	1 <sup>st</sup> January 2008 – 31 <sup>st</sup> December 2008

## Shareholders of the Company

The Shareholders of the Company that have announced notification about acquisition of significant shareholding (over 5%) as at 31 December 2009 are as follows:

<u>Name of the Shareholder</u>	<u>Share of interest</u>	<u>Registered office</u>
JSC Ventspils nafta	49.94 %	23 Ostas Street, Ventspils, LV 3601, Latvia
JSC International Baltic Investments LTD	27.55 %	5a Blaumana Street, Riga, LV-1011, Latvia
Ojay Limited	17.66 %	P.O.Box 175, Frances House, SLR William Place, St.Peter, Guernsey, Channel Islands GY1 4HQ
Eastgate Properties Limited	9.89 %	Frances House, SLR William Place, St.Peter, Guernsey, Channel Islands GY1 4HQ
SSC Valsts sociālās apdrošināšanas aģentūra	10.00 %	70a Lacpleša Street, Riga, LV-1011, Latvia

JSC Latvijas kuģniecība has no shareholders having control rights.

## General information *(Continued)*

### The Supervisory Council of the Company

Māris Gailis	Chairman of the Council (from 13.01.2009)
Uldis Pumpurs	Chairman of the Council (from 15.02.2008 until 12.01.2009)
Vladimirs Solomatins	Deputy Chairman of the Council
Andris Vilcmeiers	Deputy Chairman of the Council
Ansis Sormulis	Member of the Council
Guntis Ločmelis	Member of the Council
Kārlis Boldiževičs	Member of the Council
Māris Gailis	Member of the Council (from 15.02.2008 until 12.01.2009)
Uldis Pumpurs	Member of the Council (from 13.01.2009)
Miķis Ekbaums	Member of the Council
Normunds Staņēvičs	Member of the Council
Olga Pētersone	Member of the Council
Svens Zālītis	Member of the Council
Vladimirs Koškuls	Member of the Council

## General information *(Continued)*

### The Management Board of the Company

Imants Sarmulis	Chairman of the Management Board
Andris Linužs	Member of the Management Board – First Vice President
Raivis Veckāgans	Member of the Management Board – Vice President (until 22.10.2010)
Paul Thomas	Member of the Management Board (from 20.07.2010)
Edvīns Bērziņš	Member of the Management Board (from 27.09.2010)
Pavel Semenyuta	Member of the Management Board (from 30.11.2010)
Guntis Tirmanis	Member of the Management Board (until 16.10.2009)
Ilva Purēna	Member of the Management Board (until 10.02.2010)

### The Auditors of the Company

<b>Name and address of the Auditors:</b>	Diāna Krišjāne Sworn Auditor Certificate Nr. 124  SIA <i>Ernst &amp; Young Baltic</i> Licence Nr. 17 1 Muižas street Rīga, LV-1010 Latvia
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Some of JSC Latvijas kuģniecība Supervisory Council and Management Board members hold a management position in other companies, as well as are shareholders of companies registered in the Commercial Register of the Republic of Latvia.

The above stated information on the members of JSC Latvijas kuģniecība Supervisory Council and Management Board is available at the secretary of JSC Latvijas kuģniecība Supervisory Council and JSC Latvijas kuģniecība Management Board, respectively.



## Management report

Dear Shareholders and Business Partners!

The core business of JSC Latvijas kuģniecība (Latvian Shipping Company – LASCO) is fleet operation. JSC Latvijas kuģniecība is the Parent company of JSC Latvijas kuģniecība Group. The Group comprises a number of subsidiaries and associated companies that ensure fleet operation, perform transportation of cargoes by sea as well as have invested in non shipping segments.

During the reporting period despite the very tense economic situation in shipping markets and the global economy, JSC Latvijas kuģniecība (Latvian Shipping Company - LASCO) group managed to maintain stable position among the world's leading operators of medium size tanker ships. In terms of delivery volumes, it remains one of the leaders among similar companies in Northern Europe.

At the end of 2009, Latvian Shipping Company had a fleet of 28 tankers (2 of them chartered from other ship owners). Older ships were sold off in order to increase the fleet's competitiveness in the international market for shipping. Two gas tankers were among the ships to be sold during the reporting period.

### *JSC Latvijas kuģniecība Performance during the Reporting Period*

All Latvian Shipping Company shares are publicly traded on the Official list of the NASDAQ OMX Riga exchange. Negative macroeconomic trends in Baltic securities markets led to a drop in the price of Latvian Shipping Company shares from LVL 0.66 at the beginning of the year to LVL 0.40 at the end of the year, even though in mid-year, when the mood of the market improved a bit, the price rose to LVL 0.69. Latvian Shipping Company shares were the focus of much attention, with 2,591 transactions at the exchange during the year involving 3.96 million shares worth LVL 1.91 million. These liquidity indicators, however, do not show the real value of shares in Latvian Shipping Company due to low activity in the market as less than 100 transactions involved more than two-thirds of the total number and value of shares that were traded. On December 31, 2009, the capitalisation of Latvian Shipping Company shares at the NASDAQ OMX Riga exchange was LVL 80 million in comparison with equity LVL 222 million.

The Company - LASCO Group's Parent company closed the year 2009 with the net sales of LVL 7.4 million and net loss of LVL 17.6 million, because of the impairment made for non shipping assets in the amount of LVL 20.3 million.

### *Fleet Operations*

2009 was marked by a particular slowdown in the market for ship charters, and rates in this area collapsed to the lowest level in the last five years. Logically, this affected the operating indicators of Latvian Shipping Company fleet. Despite far-sighted policies and effective reductions in ship maintenance and administrative costs, the shipping segment's result for reporting period reached a negative result of US \$ 18.8 million.

The modernisation of the fleet has ensured that Latvian Shipping Company has a modern and competitive tanker fleet with a total deadweight of 1.15 million tonnes. The tankers were mostly used during the reporting period to transport light and heavy oil products in the Baltic, Northern European, Black Sea, Mediterranean Sea, Transatlantic, Far East and Middle East markets. Contracts on the building of four new ships were signed in late 2007 in preparation for the group's further development. These ships are to be delivered in 2011 and 2012. These newbuildings combined with the company's experience, knowledge and wide range of clients, will be a favourable factor in terms of stabilising and increasing the group's long-term competitiveness.

### *Management of Assets Unrelated to Core Operations*

During the reporting period Latvian Shipping Company's subsidiary SIA LASCO Investment focused on implementation of a five year strategy related to the group's real estate. The strategy has three main goals – maximum income from investments, maximum added value, and the sale of investments as profitably as possible once the situation in the real estate market recovers.

### *Environment Protection Initiatives*

JSC Latvijas kuģniecība recognises the importance of the environmental protection policy therefore its attention is paid to ensure safe vessels operations and environmental protection. The implementation of tanker fleet renewal program by JSC Latvijas kuģniecība considerably decreases the risk of environmental pollution by the new vessels, improves effective utilisation of energy resources and testifies increasing corporate social responsibility of JSC Latvijas kuģniecība towards ocean and coastal waters environmental protection.



## Management report (*Continued*)

### *Main post balance's events*

Necessity to revise the conditions of the real estate and other investment package deal, concluded on 2008 between Latvian Shipping Company and its largest shareholder JSC Ventspils nafta is one of the reason for late finalization of Latvian Shipping Company Group financial statements for 2009. Due to dramatically bad market situation, Latvian Shipping Company's subsidiary SIA LASCO Investment was not able to settle remaining payment to JSC Ventspils nafta in the amount of 39 million EUR which was due in February 2010; therefore, SIA LASCO Investment asked JSC Ventspils nafta to consider the actual economical situation and to revise conditions of the deal. Although it is not satisfactory solution for SIA LASCO Investment, JSC Ventspils nafta has offered to prolong the repayment term till the end of 2011. SIA LASCO Investment will continue to work with JSC Ventspils nafta to restructurize the deal.

In 2010 the Company's subsidiaries LASCO Investment SIA and LASCO nekustamie īpašumi SIA have filed for out-of-court protection procedure. As at the financial statements approval date the entities have not complied with out-of-court protection plan payment plan, which indicate existence of material uncertainty that may cast doubt that the respective entities would be able to continue as a going concern.

The Company's indirect subsidiary, Sagewood Trading Inc, acquired 100% of share capital of SIA Nafta Investment in May 2010 for the USD 27.6 million. In accordance with independent valuator's valuation report value of the company's share capital as at 31 October 2009 is USD 23.7 million. The acquisition was financed by short-term deposit held by Latmar Holding Corporation as at 31 December 2009.

As at the financial year end specific covenants set under Banking syndicate were not met. Still, in general the Group considers that it has complied with conditions and covenants set by Banking syndicate as at 31 December 2009 and financial statements approval date or side letters with waiver of covenants have been signed. The management of JSC Latvijas Kuģniecība expects that certain breaches of the bank loan covenants might continue as at 31 December 2010 and in 2011 and therefore is currently negotiating extension of waiver of these covenants and additionally included conditions till end of 2011. The management of JSC Latvian Shipping Company is confident that the agreement on required waivers will be successfully obtained.

Group's Management plans to generate positive operating cash flow in short-term and long-term period. Existing loan agreement conditions are expected to be met by using both, generated operating cash flow and accrued financial resources from previous periods, as well as income from sale of assets.

In November 2010, the Group sold shares of SIA LSC Shipmanagement considering expected risk reduction related to fleet operation and economy in fleet operating costs including the reduction of fee for technical management services obtaining them from external supplier. Additionally Group reduces risk related to fleet impact to the environment and risk on impact of possible negative financial results of SIA LSC Shipmanagement operations in future on Group's results. It is planned to continue receiving technical management services from SIA LSC Shipmanagement for fixed price in period which exceeds 12 month after the financial statements approval date.

Group's Management continues to implement development programs in accordance with the Group's objectives and operating profile, including new-building development program. According to project plan, outstanding capital commitments are around US \$ 120 million. In 2010 the negotiations are performed on attraction financing the new-buildings program in the way of the equity partners and/or structured finance transaction. The Group's Management is convinced that the financing will be attracted. The Group's Management has assessed that the recoverable value of new-buildings under development has not decreased due to subsequent events in 2010 and is close to its carrying value as at 31 December 2009.

### *Proposal for the indemnity of losses*

The Management Board of the Company proposes to transfer the current year loss to the accumulated loss.

### *Statement of Management Board responsibilities*

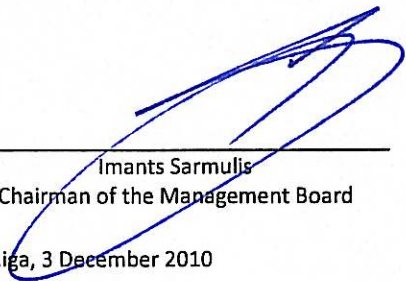
The Management Board of JSC Latvijas Kuģniecība is responsible for preparing the financial statements of JSC Latvijas Kuģniecība from the books of prime entry of the Company for each financial period that present fairly the state of affairs of the Company as at the end of each financial period and the results of its operations and cash flows.

The Management Board of JSC Latvijas Kuģniecība confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in preparation of these financial statements.

## Management report *(Continued)*

### *Statement of Management Board responsibilities (continued)*

The Management Board of JSC Latvijas Kuģniecība is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of JSC Latvijas Kuģniecība and to prevent and detect fraud and other irregularities. The Management Board of JSC Latvijas Kuģniecība also confirms that the financial statements have been prepared on a going concern basis.



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Imants Sarmulis  
Chairman of the Management Board

Riga, 3 December 2010



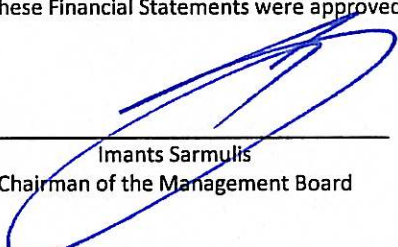
**LATVIAN SHIPPING COMPANY**  
**CONDENSED ANNUAL REPORT FOR 2009**

## Income statement

for the year ended 31 December 2009

	2009 EUR	2009 LVL	2008 EUR	2008 LVL
Net sales	10 518 208	7 392 239	13 487 520	9 479 083
Cost of sales	(4 123 121)	(2 897 746)	(4 821 757)	(3 388 750)
<b>Gross profit</b>	<b>6 395 087</b>	<b>4 494 493</b>	<b>8 665 763</b>	<b>6 090 333</b>
Administrative expenses	(7 188 952)	(5 052 424)	(11 574 743)	(8 134 776)
Other operating income	180 738	127 023	5 667	3 983
Other operating expenses	(953 892)	(670 399)	-	-
Income from investments in subsidiaries	5 637 676	3 962 181	29 792 534	20 938 312
Interest and similar income	187 496	131 773	474 311	333 348
Impairment of non-current investments, net	(28 863 376)	(20 285 296)	(23 645)	(16 618)
Interest and similar expenses	(26 684)	(18 754)	(1 173 266)	(824 576)
<b>(Loss)/profit before taxation</b>	<b>(24 631 907)</b>	<b>(17 311 403)</b>	<b>26 166 621</b>	<b>18 390 006</b>
Corporate income tax	(366 816)	(257 800)	217 856	153 110
Real estate tax	(35 703)	(25 092)	(33 842)	(23 784)
<b>Net (loss)/profit for the year</b>	<b>(25 034 426)</b>	<b>(17 594 295)</b>	<b>26 350 635</b>	<b>18 519 332</b>

These Financial Statements were approved by the Management Board on December 3, 2010 and signed on its behalf by

  
 Imants Sarmulis  
 Chairman of the Management Board

**LATVIAN SHIPPING COMPANY**  
**CONDENSED ANNUAL REPORT FOR 2009**

## Balance Sheet

as at 31 December 2009

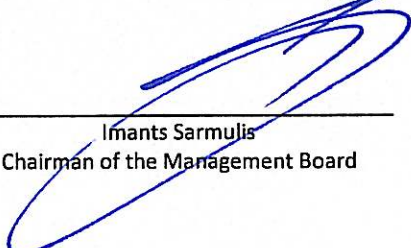
	2009 EUR	2009 LVL	2008 EUR	2008 LVL
<b>Assets</b>				
<b>Non-Current Assets</b>				
<b>Intangible Assets:</b>				
Concessions, patents, licenses, trademarks and similar rights	530 656	372 947	360 993	253 707
<b>Total Intangible Assets:</b>	<b>530 656</b>	<b>372 947</b>	<b>360 993</b>	<b>253 707</b>
<b>Tangible Assets:</b>				
Land, buildings and constructions	3 755 700	2 639 521	3 874 035	2 722 687
Machinery and equipment	-	-	14 405	10 124
Other fixed assets	538 584	378 519	780 996	548 887
Assets under construction	-	-	8 724	6 131
<b>Total Tangible Assets:</b>	<b>4 294 284</b>	<b>3 018 040</b>	<b>4 678 160</b>	<b>3 287 829</b>
<b>Investment properties</b>	<b>1 987 752</b>	<b>1 397 000</b>	<b>2 504 222</b>	<b>1 759 977</b>
<b>Non-Current Financial Assets:</b>				
Investments in subsidiaries	159 176 706	111 870 026	186 778 531	131 268 699
Investments in associates	273 267	192 053	10 747	7 553
<b>Total Non-Current Financial Assets:</b>	<b>159 449 973</b>	<b>112 062 079</b>	<b>186 789 278</b>	<b>131 276 252</b>
<b>Total Non-Current Assets</b>	<b>166 262 665</b>	<b>116 850 066</b>	<b>194 332 653</b>	<b>136 577 765</b>
<b>Current Assets</b>				
<b>Inventories:</b>				
Raw materials	16 290	11 449	20 499	14 407
<b>Total Inventories:</b>	<b>16 290</b>	<b>11 449</b>	<b>20 499</b>	<b>14 407</b>
<b>Accounts receivable and prepayments:</b>				
Trade receivables	625	439	4 559	3 204
Amounts due from related companies	642 681	451 679	599 069	421 028
Other receivables	489 886	344 294	662 115	465 338
Deferred expenses	92 840	65 248	261 192	183 567
Deferred revenue	31	22	-	-
<b>Total Accounts Receivable:</b>	<b>1 226 063</b>	<b>861 682</b>	<b>1 526 935</b>	<b>1 073 137</b>
<b>Current Investments:</b>				
Deferred tax asset	-	-	217 856	153 110
<b>Total Current Investments:</b>	<b>-</b>	<b>-</b>	<b>217 856</b>	<b>153 110</b>
<b>Cash and Cash Equivalents</b>	<b>1 736 153</b>	<b>1 220 175</b>	<b>263 485</b>	<b>185 178</b>
<b>Total Current Assets</b>	<b>2 978 506</b>	<b>2 093 306</b>	<b>2 028 775</b>	<b>1 425 832</b>
<b>Total Assets</b>	<b>169 241 171</b>	<b>118 943 372</b>	<b>196 361 428</b>	<b>138 003 597</b>

## Balance Sheet (Continued)

as at 31 December 2009

	2009 EUR	2009 LVL	2008 EUR	2008 LVL
<b>Shareholders' Equity and Liabilities</b>				
<b>Shareholders' Equity</b>				
Share capital	284 574 362	200 000 000	284 574 362	200 000 000
Accumulated deficit				
a) accumulated deficit for the prior	(93 566 340)	(65 758 798)	(119 916 975)	(84 278 130)
b) (loss)/profit for the reporting year	(25 034 426)	(17 594 295)	26 350 635	18 519 332
<b>Total Shareholders' Equity</b>	<b>165 973 596</b>	<b>116 646 907</b>	<b>191 008 022</b>	<b>134 241 202</b>
<b>Liabilities:</b>				
<b>Non-current Liabilities:</b>				
Deferred tax liabilities	148 960	104 690	-	-
<b>Total Non-current Liabilities</b>	<b>148 960</b>	<b>104 690</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities:</b>				
Other loans	1 002 238	704 377	-	-
Trade payables	209 812	147 457	618 655	434 793
Amounts due to related companies	337 252	237 022	2 553 279	1 794 455
Taxes and social security contributions	238 180	167 394	781 396	549 168
Other accounts payable	238 243	167 438	489 070	343 720
Accrued liabilities	1 092 890	768 087	911 006	640 259
<b>Total Current Liabilities</b>	<b>3 118 615</b>	<b>2 191 775</b>	<b>5 353 406</b>	<b>3 762 395</b>
<b>Total Liabilities</b>	<b>3 267 575</b>	<b>2 296 465</b>	<b>5 353 406</b>	<b>3 762 395</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>169 241 171</b>	<b>118 943 372</b>	<b>196 361 428</b>	<b>138 003 597</b>

These Financial Statements were approved by the Management Board on December 3, 2010 and signed on its behalf by

  
 Imants Sarmulis  
 Chairman of the Management Board

## Statement of Changes in Shareholders' Equity

for the year ended 31 December 2009

	Share Capital		Accumulated	Accumulated	Total	Total
	EUR	LVL	(deficit)/ undistributed profit EUR	(deficit)/ undistributed profit LVL	EUR	LVL
<b>31 December 2007</b>	<b>284 574 362</b>	<b>200 000 000</b>	<b>(119 916 975)</b>	<b>(84 278 130)</b>	<b>164 657 387</b>	<b>115 721 870</b>
Net profit for the year	-	-	26 350 635	18 519 332	26 350 635	18 519 332
<b>31 December 2008</b>	<b>284 574 362</b>	<b>200 000 000</b>	<b>(93 566 340)</b>	<b>(65 758 798)</b>	<b>191 008 022</b>	<b>134 241 202</b>
Net loss for the year	-	-	(25 034 426)	(17 594 295)	(25 034 426)	(17 594 295)
<b>31 December 2009</b>	<b>284 574 362</b>	<b>200 000 000</b>	<b>(118 600 766)</b>	<b>(83 353 093)</b>	<b>165 973 596</b>	<b>116 646 907</b>

As at 31 December 2009 the authorised, issued and fully paid share capital of the Company consists of 200 000 000 shares with nominal value of LVL 1 per share. All shares are publicly traded and listed on NASDAQ OMX Riga official list. All shares are ordinary shares with voting rights.

These Financial Statements were approved by the Management Board on December 3, 2010 and signed on its behalf by


  
 Imants Sarmulis  
 Chairman of the Management Board



## Cash Flow Statement

	2009 EUR	2009 LVL	2008 EUR	2008 LVL
<b>Cash Flow from Operating Activities</b>				
(Loss)/profit before taxation	(24 631 907)	(17 311 403)	26 166 621	18 390 006
Adjustments for:				
Depreciation	439 871	309 143	471 945	331 685
Intangible assets amortisation	254 078	178 567	261 332	183 665
Accrued expenses increase /(decrease)	716 784	503 759	(1 981 865)	(1 392 863)
Impairment of investment properties	384 188	270 009	-	-
Foreign exchange loss/(gain)	48 067	33 782	(6 834)	(4 803)
Income from investments in subsidiaries and	(4 575 956)	(3 216 000)	(29 792 534)	(20 938 312)
Other interest income	(8 362)	(5 877)	(75 705)	(53 206)
Other interest expenses	20 410	14 344	-	-
Impairment of non-current investments	27 801 656	19 539 115	23 645	16 618
Impairment of current securities value	-	-	36 324	25 529
Gain from disposal of fixed assets	(179 393)	(126 078)	(5 667)	(3 983)
<b>Profit/(loss) before adjustments for movements in net working capital</b>	<b>269 436</b>	<b>189 361</b>	<b>(4 902 738)</b>	<b>(3 445 664)</b>
Adjustments for:				
Decrease in inventories	4 188	2 943	3 335	2 344
Decrease in trade and other receivables	205 528	144 446	1 933 438	1 358 828
Decrease in trade and other payables	(1 955 568)	(1 374 381)	(1 516 891)	(1 066 077)
<b>Gross Cash Flow from Operating Activities</b>	<b>(1 476 416)</b>	<b>(1 037 631)</b>	<b>(4 482 856)</b>	<b>(3 150 569)</b>
Real estate tax	(35 703)	(25 092)	(29 792)	(20 938)
<b>Net Cash Flow from Operating Activities</b>	<b>(1 512 119)</b>	<b>(1 062 723)</b>	<b>(4 512 648)</b>	<b>(3 171 507)</b>
<b>Cash Flow from Investing Activities</b>				
Acquisition of tangible and intangible assets, assets under construction	(534 981)	(375 987)	(315 481)	(221 721)
Investments in investment property	(1 906 092)	(1 339 609)	(465 848)	(327 400)
Investments in subsidiaries	(2 134 308)	(1 500 000)	(23 492 923)	(16 510 920)
Investments in associates	(262 520)	(184 500)	-	-
Proceeds from sale of fixed and intangible assets	355 816	250 069	32 316	22 712
Proceeds from disposal of subsidiaries	1 934 477	1 359 558	-	-
Income from securities	-	-	357	251
Interest received	4 506	3 167	69 142	48 593
Dividends received	4 575 956	3 216 000	29 792 534	20 938 312
<b>Net Cash Flow from Investing Activities</b>	<b>2 032 854</b>	<b>1 428 698</b>	<b>5 620 097</b>	<b>3 949 827</b>
<b>Cash Flow from Financial Activities</b>				
Loans received	1 000 000	702 804	-	-
Repayment of borrowings received from subsidiaries	-	-	(1 178 955)	(828 574)
<b>Net Cash Flow from Financial Activities</b>	<b>1 000 000</b>	<b>702 804</b>	<b>(1 178 955)</b>	<b>(828 574)</b>
<b>Currency Translation Difference</b>	<b>(48 067)</b>	<b>(33 782)</b>	<b>6 835</b>	<b>4 803</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1 472 668</b>	<b>1 034 997</b>	<b>(64 671)</b>	<b>(45 451)</b>
Cash and Cash Equivalents at the beginning of the year	263 485	185 178	328 156	230 629
<b>Cash and Cash Equivalents at the end of the year</b>	<b>1 736 153</b>	<b>1 220 175</b>	<b>263 485</b>	<b>185 178</b>

These Financial Statements were approved by the Management Board on December 3, 2010 and signed on its behalf by

  
Imants Sarmulis  
Chairman of the Management Board

## Notes

### Accounting policies and measurement basis

#### 1. General information

The principal activity of JSC Latvijas kuģniecība (the Company) is management of Latvijas kuģniecība Group. The Company is registered at the Enterprise register on 13 September 1999 and reregistered in the Commercial register on 17 November 2004. All the shares of the Company are publicly traded and listed on the NASDAQ OMX Riga Official list.

The financial statements of the Company were authorized for issue in accordance with resolution of the Management Board as of 3 December 2010 and resolution of the Supervisory Board as of 3 December 2010. The Company's shareholders have the power to amend the financial statements after they have been issued.

#### 2. General principles

The annual report of the Company represents the parent only financial results of JSC Latvijas kuģniecība. The financial results of the Group are represented in the consolidated financial statements of the Group.

The financial statements have been prepared in accordance with the Law of the Republic of Latvia On Annual Accounts and Latvian Accounting Standards (LAS) applicable in the reporting year. The financial statements have been prepared on a historical cost basis. The reporting period for the annual report is from 1 January 2009 till 31 December 2009 and financial statements are prepared in Latvian lats (LVL). The income statement is prepared in accordance with the turnover method. Cash flow statement is prepared using the indirect cash flow method.

The accounting policies applied are consistent with those of the previous financial year.

These condensed financial statements are translated in Euros using the rate of exchange stated by the Bank of Latvia as of 31.12.2009: 1 LVL = 0.702804 EUR