

**Public Joint Stock Company
Latvian Shipping Company
and it's Subsidiaries**

Unaudited Condensed Consolidated Financial Statements

for the 1st quarter 2010



Latvian Shipping Company & its Subsidiaries
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for the 1st quarter 2010

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INFORMATION ON PARENT COMPANY

THE SUPERVISORY COUNCIL

Chairman of the Council	Māris Gailis (from 13.01.2009) Uldis Pumpurs (till 12.01.2009)
Deputy Chairperson of the Council	Andris Vilcmeiers Vladimirs Solomatins
Members of the Council:	Ansis Sormulis Guntis Ločmelis Kārlis Boldiševics Māris Gailis (till 12.01.2009) Uldis Pumpurs (from 13.01.2009) Miks Ekbaums Normunds Staņēvičs Olga Pētersone Svens Zālītis Vladimirs Koškuls

THE MANAGEMENT BOARD

Chairman of the Management Board	Imants Sarmulis
Member of the Management Board – 1.vice-president	Andris Linužs
Member of the Management Board – vice-president	Raivis Veckāgans
Members of the Management Board	Guntis Tīrmanis (till 06.10.2009) Ilva Purēna (till 09.02.2010)

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MANAGEMENT REPORT

Dear shareholders and partners:

The long-term stagnation in the global shipping market has been seen most vividly in the dramatic drop in shipping rates and the forced stoppage of ships because of the equally dramatic decline in cargo amounts. Despite this, the JSC Latvijas kuģniecība (Latvian Shipping Company - LASCO) ensured carefully considered and balanced results in its operations during the first quarter of 2010. The concern has not been able to avoid the consequences of the economic decline even if its strategy has been fully in line with market trends, but unaudited consolidated results during the first three months of 2010 were better than expected. The company's net loss was USD 10.6 million or 35% less than had been forecast.

The Latvian Shipping Company did not earn much money from its fleet – something that reflects the overall situation in shipping markets. The operating costs of ships were not even covered. The results were also worsened substantially by unplanned losses caused by currency exchange rate shifts, particularly in terms of the US dollar. During the first quarter of 2010, the Latvian Shipping Company earned USD 25.2 million, which was in line with planned results in terms of shipments, the company's budget, and the net turnover of the concern's subsidiaries. Effective management of financial resources allowed the company to cut administrative costs by 60% during the first quarter in comparison to the same period last year.

Experts at the company think that the low point in operations has probably been reached and overcome – this after a carefully evaluation of operations and a look at what the company might be able to do in global shipping markets. There is reason for cautious optimism that the Latvian Shipping Company's results will improve as shipping rates increase.

Marsh McLennan, which is one of the world's leading insurers of maritime risks, continues to list the Latvian Shipping Company among the most attractive business partners in the shipping industry. This clearly shows that company's long-term stability despite the crisis and short-term difficulties which it and the subsequent process of stagnation have caused. Over the course of many years, the Latvian Shipping Company has been seen as a major player in the niche of medium-sized tankers, and that continues to be the case now. This is a niche in which highly qualified crews are needed onboard ships, which means that the company's operational risks are minimal.

The first quarter of 2010 was a time when the shipping business saw low market activity and much lower rates, but the Latvian Shipping Company minimised risks and losses. In comparison to other participants in the market, it has concluded advantageous short-term shipping rate agreements for nearly all of its tankers, thus implementing effective policies that make it possible to use the fleet in accordance with market circumstances. During the course of Q1, the company concluded 35 transactions involving its ships.

The Latvian Shipping Company is continuing to improve the competitiveness of its tankers at the international level by concentrating resources on the strategy of upgrading the fleet. This is an opportunity which the crisis has created. Older ships are being sold as advantageously as possible to allow the Latvian Shipping Company to maintain and increase its role in the segment of medium-sized tankers. Two tankers were sold in the first quarter of the year, and five others are to be sold. The average age of these tankers is more than twenty years and their further operation is commercially unprofitable.

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The consistent updating of the fleet has allowed the Latvian Shipping Company to reduce the average age of its ships by more than one-half – from 17.5 years in 2005 to 7.9 years right now. During the first six months of this year, the average age of the fleet will decline to five years. The upgrade programme allows the Latvian Shipping Company to put together a fleet that is in line with international standards. As the economic situation in the world recovers, that will be a cornerstone for the company's success. That, in turn, will serve the interests of all of its shareholders.

The Latvian Shipping Company is a public stock company with shares on the NASDAQ OMX Rīga exchange. All of the company's shares are traded publicly on the exchange's official list. Both at the beginning and the end of Q1 2010, the share price was LVL 0.40, and during the three months, it ranged from LVL 0.35 to LVL 0.52. 691 transactions involving 2.54 million shares worth LVL 0.92 million were conducted during the quarter, making the Latvian Shipping Company's shares among the most actively traded ones during the three months. Indeed, this represented 57% of all share transactions on the official list, as well as 30% of overall turnover. On March 31, 2010, capitalisation of Latvian Shipping Company shares at NASDAQ OMX Rīga was at a level of LVL 80 million.

The Latvian Shipping Company is among the world's leading owners of small and medium tankers, and in terms of oil product deliveries, it is among the top shipping companies in Northern Europe. The Latvian Shipping Company owns 23 modern ships with experienced and well-trained crews. The company manages a total of 25 ships – two of them belong to other owners. During the next few years, the fleet will be supplemented with four new medium-sized ships for oil product transportation.

Member of the Management Board
1.vice-president

Andris Linužs

Member of the Management Board
vice-president

Raivis Veckāgans

Riga, May 31, 2010

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Un-audited consolidated financial statements are prepared to the best on our knowledge in accordance with International Financial Reporting Standards as adopted by the European Union. These un-audited financial statements give a true and fair view of the state of affairs of the Group and of the results of the Group for the period ended 31 December 2009 in all material aspects. In preparing those financial statements, management:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Member of the Management Board
1.vice-president

Andris Linužs

Member of the Management Board
vice-president

Raivis Veckāgans

Riga, May 31, 2010

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CONSOLIDATED INCOME STATEMENT

	31.03.2010 US \$'000	31.03.2009 US \$'000	31.03.2010 LVL'000	31.03.2009 LVL'000	31.03.2010 EUR'000	31.03.2009 EUR'000
Revenue	25 237	56 726	12 798	30 465	18 709	42 940
Cost of sales	(24 166)	(38 429)	(12 255)	(20 639)	(17 915)	(29 090)
Gross profit	1 071	18 297	543	9 826	794	13 850
Sales and distribution expenses	(8)	(766)	(4)	(411)	(6)	(580)
Administration expenses	(3 344)	(6 997)	(1 696)	(3 757)	(2 479)	(5 296)
Gain on sale of assets	(1 049)	1 885	(532)	1 012	(778)	1 427
Profit before financial items	(3 330)	12 419	(1 689)	6 670	(2 469)	9 401
Net financial items	(7 162)	(4 930)	(3 632)	(2 648)	(5 309)	(3 732)
Profit/(loss) before taxation	(10 492)	7 489	(5 321)	4 022	(7 778)	5 669
Taxes	(81)	(91)	(41)	(49)	(60)	(69)
Minority interest	-	164	-	88	-	124
Net profit/(loss)	(10 573)	7 562	(5 362)	4 061	(7 838)	5 724
Earnings/(loss) per share	US\$ (0.05)	US\$ 0.04	LVL (0.03)	LVL 0.02	EUR (0.04)	EUR 0.03

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CONSOLIDATED BALANCE SHEET

	31.03.2010 US \$'000	31.12.2009 US \$'000	31.03.2010 LVL'000	31.12.2009 LVL'000	31.03.2010 EUR'000	31.12.2009 EUR'000
<i>ASSETS</i>						
<i>NON-CURRENT ASSETS</i>						
Goodwill	16 802	16 802	8 754	8 216	12 456	11 691
Intangible assets	680	3 675	354	1 797	504	2 557
Total intangible assets	17 482	20 477	9 108	10 013	12 960	14 248
Fleet	563 627	571 896	293 650	279 657	417 826	397 916
Other property, plant and equipment	13 891	16 537	7 237	8 087	10 298	11 506
Assets under construction	79 328	79 304	41 330	38 780	58 807	55 178
Total property, plant and equipment	656 846	667 737	342 217	326 524	486 931	464 600
Investment properties	140 686	144 425	73 297	70 624	104 293	100 489
Investments in associates accounted for using the equity method	388	388	202	190	288	270
Other financial assets	2 126	2 301	1 108	1 125	1 576	1 601
<i>TOTAL NON-CURRENT ASSETS</i>	817 528	835 328	425 932	408 476	606 048	581 208
<i>CURRENT ASSETS</i>						
Inventories	17 526	61 755	9 131	30 198	12 992	42 968
Assets subject to disposal	25 284	33 350	13 173	16 308	18 743	23 204
Trade accounts receivable	8 373	8 102	4 362	3 962	6 207	5 637
Prepayments and other receivables	14 947	5 592	7 787	2 734	11 080	3 891
Accounts receivable from related party	46	-	24	-	34	-
Deposits with maturity more than three months	56 206	55 987	29 283	27 378	41 666	38 955
Financial assets designated at fair value through profit or loss	1 397	1 319	728	645	1 036	918
Cash and cash equivalents	64 096	75 230	33 394	36 787	47 515	52 344
<i>TOTAL CURRENT ASSETS</i>	187 875	241 335	97 882	118 012	139 273	167 917
<i>TOTAL ASSETS</i>	1 005 403	1 076 663	523 814	526 488	745 321	749 125

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CONSOLIDATED BALANCE SHEET (continued)

	31.03.2010 US \$'000	31.12.2009 US \$'000	31.03.2010 LVL'000	31.12.2009 LVL'000	31.03.2010 EUR'000	31.12.2009 EUR'000
<u>SHAREHOLDERS' EQUITY & LIABILITIES</u>						
<u>SHAREHOLDERS EQUITY</u>						
Share capital	362 319	362 319	200 000	200 000	284 574	284 574
Cash flow hedge reserve	(4 523)	(3 845)	(2 356)	(1 880)	(3 353)	(2 675)
Translation reserve	(11 351)	(7 472)	(17 339)	(32 134)	(22 757)	(44 018)
Retained earnings	164 659	175 232	85 979	91 341	120 426	128 264
	511 104	526 234	266 284	257 327	378 890	366 145
<i>Minority interest</i>	-	(1 692)	-	(827)	-	(1 177)
<u>TOTAL EQUITY</u>	511 104	524 542	266 284	256 500	378 890	364 968
<u>NON-CURRENT LIABILITIES</u>						
Bank loans and borrowings	338 616	345 843	176 419	169 117	251 021	240 632
Finance lease	28 315	28 571	14 752	13 971	20 990	19 879
Other financial liabilities	2 554	4 574	1 331	2 237	1 893	3 183
Deferred tax liabilities	16 631	16 631	8 665	8 133	12 329	11 572
Other long terms accounts payable	1 455	-	758	-	1 079	-
<u>TOTAL NON-CURRENT LIABILITIES</u>	387 571	395 619	201 925	193 458	287 312	275 266
<u>CURRENT LIABILITIES</u>						
Bank loans and borrowings	28 130	46 004	14 656	22 496	20 853	32 009
Finance lease	1 062	24 981	553	12 216	787	17 381
Other financial liabilities	3 864	722	2 013	353	2 864	502
Trade accounts payable	9 488	10 161	4 943	4 969	7 034	7 070
Accounts payable to related party	53 561	57 137	27 905	27 940	39 706	39 755
Deferred revenue	1 781	4 640	928	2 269	1 320	3 228
Other payables	8 842	12 857	4 607	6 287	6 555	8 946
<u>TOTAL CURRENT LIABILITIES</u>	106 728	156 502	55 605	76 530	79 119	108 891
<u>TOTAL LIABILITIES</u>	494 299	552 121	237 530	269 988	366 431	384 157
<u>TOTAL EQUITY & LIABILITIES</u>	1 005 403	1 076 663	523 814	526 488	745 321	749 125

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Cash flow hedge reserve	Translation reserve	Retained earnings	Minority interest	Total
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
At 31 December 2008	362 319	(4 777)	(11 673)	195 464	753	542 086
Currency translation differences and other reserves	-	(48)	(2 781)	-	(327)	(3 156)
Net profit for the period	-	-	-	7 562	-	7 562
Minority interest	-	-	-	-	164	164
At 31 March 2009	362 319	(4 825)	(14 454)	203 026	590	546 656
Currency translation differences and other reserves	-	980	6 982	-	-	7 962
Net loss for the period	-	-	-	(27 794)	-	(27 794)
Minority interest	-	-	-	-	(2 282)	(2 282)
At 31 December 2009	362 319	(3 845)	(7 472)	175 232	(1 692)	524 542
Currency translation differences and other reserves	-	(678)	(3 879)	-	-	(4 557)
Net loss for the period	-	-	-	(10 573)	-	(10 573)
Minority interest	-	-	-	-	1 692	1 692
At 31 March 2010	362 319	(4 523)	(11 351)	164 659	-	511 104

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(continued)

	Share capital	Cash flow hedge reserve	Translation reserve	Retained earnings	Minority interest	Total
	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000
At 31 December 2008	200 000	(2 365)	(31 241)	101 565	373	268 332
Currency translation differences and other reserves	-	(202)	18 686	-	(147)	18 337
Net profit for the period	-	-	-	4 061	-	4 061
Minority interest	-	-	-	-	88	88
At 31 March 2009	200 000	(2 567)	(12 555)	105 626	314	290 818
Currency translation differences and other reserves	-	687	(19 579)	-	-	(18 892)
Net loss for the period	-	-	-	(14 285)	-	(14 285)
Minority interest	-	-	-	-	(1 141)	(1 141)
At 31 December 2009	200 000	(1 880)	(32 134)	91 341	(827)	256 500
Currency translation differences and other reserves	-	(476)	14 795	-	-	14 319
Net loss for the period	-	-	-	(5 362)	-	(5 362)
Minority interest	-	-	-	-	827	827
At 31 December 2009	200 000	(2 356)	(17 339)	85 979	-	266 284

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(continued)

	Share capital	Cash flow hedge reserve	Translation reserve	Retained earnings	Minority interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2008	284 574	(3 261)	(54 117)	142 340	514	370 050
Currency translation differences and other reserves	-	(391)	38 483	-	(191)	37 901
Net profit for the period	-	-	-	5 724	-	5 724
Minority interest	-	-	-	-	124	124
At 31 March 2009	284 574	(3 652)	(15 634)	148 064	447	413 799
Currency translation differences and other reserves	-	977	(28 384)	-	-	(27 407)
Net loss for the period	-	-	-	(19 800)	-	(19 800)
Minority interest	-	-	-	-	(1 624)	(1 624)
At 31 December 2009	284 574	(2 675)	(44 018)	128 264	(1 177)	364 968
Currency translation differences and other reserves	-	(678)	21 261	-	-	20 583
Net loss for the period	-	-	-	(7 838)	-	(7 838)
Minority interest	-	-	-	-	1 177	1 177
At 31 December 2009	284 574	(3 353)	(22 757)	120 426	-	378 890

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CONSOLIDATED CASH FLOW STATEMENT

	31.03.2010 US \$'000	31.03.2009 US \$'000	31.03.2010 LVL'000	31.03.2009 LVL'000	31.03.2010 EUR'000	31.03.2009 EUR'000
Profit/(loss) before taxation	(10 492)	7 489	(5 321)	4 022	(7 778)	5 669
<u>Adjustments for:</u>						
Depreciation	7 068	10 308	3 584	5 536	5 240	7 803
Profit/(loss) on sale of fixed assets	1 049	(1 885)	532	(1 012)	778	(1 427)
Other adjustments	7 000	(1 919)	5 803	280	8 613	1 213
	4 625	13 993	4 598	8 826	6 852	13 258
Movements in net working capital:						
Inventories	9 439	341	4 787	183	6 997	258
Trade accounts receivable, prepayments and other receivables	(9 672)	3 978	(4 905)	2 136	(7 170)	3 011
Trade accounts payable and other liabilities	(6 091)	6 553	(3 089)	3 519	(4 515)	4 960
Cash flow from Operations	(1 699)	24 865	1 391	14 664	2 165	21 487
Net Cash flow from Investing Activities	5 451	(23 998)	2 754	(12 888)	4 041	(18 166)
Cash flow before Financing Activities	3 752	867	4 155	(1 776)	6 206	3 321
Net Cash flow from Financing Activities	(14 886)	2 451	(7 548)	1 316	(11 035)	1 855
Increase in Cash and Cash Equivalents	(11 134)	3 318	(3 393)	3 092	(4 829)	5 176
Cash and Cash Equivalents at 1 January	75 230	35 849	36 787	17 745	52 344	24 472
Cash and Cash Equivalents at 31 March	64 096	39 167	33 394	20 837	47 515	29 648

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NOTES

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 & its Subsidiaries for the year ended 31 December 2008, which were prepared in accordance with International Financial Reporting Standards.

The Financial Statements are prepared in U.S. dollars which is the functional currency of the Group and Latvian lats which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia.

Monetary assets and liabilities of the Group denominated in other currencies are translated into U.S. dollars at the rate of exchange prevailing at the end of the reporting period.

Foreign currency transactions are accounted for into U.S. dollars at the exchange rate prevailing at the date of the transaction.

Presentation of financial statements in Latvian lats is done using the exchange rate set by the Bank of Latvia in the following way: assets and liabilities are translated at the closing rate at the end of the reporting year, income and expenses for income statement are translated at the average exchange rates for the reporting year, whilst resulting exchange differences are recognised as a separate component of equity.

LB rate of exchange as at 31.03.2010 USD/LVL - 0.521 (average – 0.507099)

LB rate of exchange as at 31.03.2009 USD/LVL - 0.532 (average – 0.537056)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.03.2010: 1 USD = 0.741316 EUR
(31.03.2009: 1 USD = 0.756968 EUR).

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NOTES (continued)

2. SEGMENT INFORMATION

	Shipping		Other activities		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
Voyage income	34 939	56 712	-	-	34 939	56 712
Voyage costs	(10 566)	(4 010)	-	-	(10 566)	(4 010)
Net voyage result	24 373	52 702	-	-	24 373	52 702
Vessel operating costs	(16 577)	(24 650)	-	-	(16 577)	(24 650)
Vessel depreciation	(6 062)	(7 793)	-	-	(6 062)	(7 793)
Vessel operating profit	1 734	20 259	-	-	1 734	20 259
Revenue (Fleet excluding)	440	292	424	3 733	864	4 025
Cost of sales (Fleet excluding)	(825)	(943)	(702)	(5 043)	(1 527)	(5 986)
Sales and distribution expenses	-	-	(8)	(766)	(8)	(766)
Administration expenses	(3 512)	(5 061)	168	(1 937)	(3 344)	(6 998)
Result from sale of assets	(1 048)	1 887	(1)	(2)	(1 049)	1 885
Segment result	(3 211)	16 434	(119)	(4 015)	(3 330)	12 419
Net financial items	(4 123)	(3 001)	(3 039)	(1 929)	(7 162)	(4 930)
Taxes	(14)	(15)	(67)	(76)	(81)	(91)
Minority interest	-	-	-	164	-	164
Net profit/(loss)	(7 348)	13 418	(3 225)	(5 856)	(10 573)	7 562
Segment assets	827 326	878 448	178 077	227 269	1 005 403	1 105 717
Segment liabilities	391 091	407 322	103 208	151 739	494 299	559 061

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NOTES (continued)

2. SEGMENT INFORMATION (continued)

	Shipping		Other activities		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Voyage income	17 718	30 458	-	-	17 718	30 458
Voyage costs	(5 358)	(2 154)	-	-	(5 358)	(2 154)
Net voyage result	12 360	28 304	-	-	12 360	28 304
Vessel operating costs	(8 406)	(13 238)	-	-	(8 406)	(13 238)
Vessel depreciation	(3 074)	(4 185)	-	-	(3 074)	(4 185)
Vessel operating profit	880	10 881	-	-	880	10 881
Revenues (Fleet excluding)	223	157	215	2 005	438	2 162
Cost of sales (Fleet excluding)	(418)	(507)	(357)	(2 708)	(775)	(3 215)
Sales and distribution expenses	-	-	(4)	(412)	(4)	(412)
Administration expenses	(1 781)	(2 718)	85	(1 040)	(1 696)	(3 758)
Result from sale of assets	(531)	1 013	(1)	(1)	(532)	1 012
Segment result	(1 627)	8 826	(62)	(2 156)	(1 689)	6 670
Net financial items	(2 091)	(1 612)	(1 541)	(1 036)	(3 632)	(2 648)
Taxes	(7)	(8)	(34)	(41)	(41)	(49)
Minority interest	-	-	-	88	-	88
Net profit/(loss)	(3 725)	7 206	(1 637)	(3 145)	(5 362)	4 061
Segment assets	431 037	467 333	92 777	120 907	523 814	588 240
Segment liabilities	203 758	216 697	53 772	80 725	257 530	297 422

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NOTES (continued)

2. SEGMENT INFORMATION (continued)

	Shipping		Other activities		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Voyage income	25 901	42 929	-	-	25 901	42 929
Voyage costs	(7 833)	(3 035)	-	-	(7 833)	(3 035)
Net voyage result	18 068	39 894	-	-	18 068	39 894
Vessel operating costs	(12 289)	(18 661)	-	-	(12 289)	(18 661)
Vessel depreciation	(4 494)	(5 899)	-	-	(4 494)	(5 899)
Vessel operating profit	1 285	15 334	-	-	1 285	15 334
Revenues (Fleet excluding)	326	221	315	2 826	641	3 047
Cost of sales (Fleet excluding)	(612)	(714)	(520)	(3 817)	(1 132)	(4 531)
Sales and distribution expenses	-	-	(6)	(580)	(6)	(580)
Administration expenses	(2 604)	(3 830)	125	(1 466)	(2 479)	(5 296)
Result from sale of assets	(777)	1 428	(1)	(1)	(778)	1 427
Segment result	2 382	12 439	(87)	(3 038)	(2 469)	9 401
Net financial items	(3 056)	(2 272)	(2 253)	(1 460)	(5 309)	(3 732)
Taxes	(10)	(11)	(50)	(58)	(60)	(69)
Minority interest	-	-	-	124	-	124
Net profit/(loss)	(5 448)	10 156	(2 390)	(4 432)	(7 838)	5 724
Segment assets	613 310	664 957	132 011	172 036	745 321	836 993
Segment liabilities	289 921	308 333	76 510	114 861	366 431	423 194

Latvian Shipping Company & its Subsidiaries
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for the 1st quarter 2010

NOTES

Contact person with respect to information presented in these financial statements

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