



**LATVIJAS KUĢNIECĪBA**

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

## **Unaudited Condensed Consolidated Financial Statements**

**for the six month period ended  
30 June 2010**



**Latvian Shipping Company and its Subsidiaries**  
**Unaudited Condensed Consolidated Financial Statements**  
**for the six month period ended 30 June 2010**

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**INFORMATION ON PARENT COMPANY**

***THE SUPERVISORY COUNCIL***

<b>Chairman of the Council</b>	Māris Gailis (from 13.01.2009) Uldis Pumpurs (till 12.01.2009)
<b>Deputy Chairperson of the Council</b>	Andris Vilcmeiers Vladimirs Solomatins
<b>Members of the Council:</b>	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***

<b>Chairman of the Management Board</b>	Imants Sarmulis
<b>Member of the Management Board – 1.vice-president</b>	Andris Linužs
<b>Member of the Management Board – vice-president</b>	Raivis Veckāgans
<b>Members of the Management Board</b>	Paul Thomas (from 20.07.2010.) Guntis Tīrmanis (till 06.10.2009) Ilva Purēna (till 09.02.2010)



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**MANAGEMENT REPORT**

**Dear shareholders and partners:**

Although the first half of 2010 was one of the most complicated in history of AS "Latvijas kuģniecība" (JSC "Latvian Shipping Company"), the Group has managed to take advantage of the possibilities provided by the crisis and substantially improve age structure of the group's fleet, by selling the "Kherson" tankers, the average age of which exceeded twenty years and which were financially unprofitable. Thus already this year the Group will sell out the older ships and its fleet will consist of only modern and competitive tankers with an average age of 6 years that is considerably lower than the average ratio in the world. The strategy chosen by JSC "Latvian Shipping Company" is justified by although moderate yet stable rise of the charter rates in the segment of the new tankers. Considering that during the reporting period the ship charter rates were historically low JSC "Latvian Shipping Company" losses during the first six month of 2010 reached USD 25.2 million. This result complies with the cautiously drawn up budget plan.

In comparison with the first 3 months of 2010 improvement of the Group's financial results during the 2<sup>nd</sup> quarter is conspicuous, as the total result of the shipping area during 6 months of 2010 was positive and reached USD 3.7 million. The Group's total income from shipping (net voyage result) during the first half of the year reached USD 43.9 million, but income unrelated to core operation amounted to USD 1.4 million. The financial result of JSC "Latvian Shipping Company" Group during the first half of the year was mainly worsened by losses caused due to the substantial rise of the USD exchange rate against LVL.

Financial results of JSC "Latvian Shipping Company" allow concluding that most probably the lowest point of the Group's financial operation has been overcome and there is basis for a cautious optimism that during the next reporting periods along with improvement of the charter markets financial results of JSC "Latvian Shipping Company" shipping operations could reach higher profitability.

During the first half of 2010 JSC "Latvian Shipping Company" has implemented a well-considered chartering strategy – during the critically low charter rate period fixing the rates for short-term rent, but along with the market recovery, returning in the time-charter market and fixing the charter rates for a longer period, thus minimizing the losses. In general during the 1<sup>st</sup> half of this year JSC "Latvian Shipping Company" has concluded 40 voyage charter and 16 time-chartered transactions with its tankers.

JSC „Latvian Shipping Company” through its subsidiary „Latmar Holdings Corporation” has made investments in related area.

The JSC "Latvian Shipping Company" subsidiary SIA LASCO Investment spent the reporting period in implementing the developed strategy for adding value to the real estate projects – a development concept for the exclusive property located at 3 Balasta dambis, Riga, in cooperation with the real estate consulting company „Cushman&Wakefield” and architect Larry Oltmanns.

All JSC "Latvian Shipping Company" shares are quoted in the international Stock Exchange NASDAQ OMX and traded publicly on the Official list of the NASDAQ OMX Riga Exchange. During the first half of 2010 the price of JSC "Latvian Shipping Company" shares has changes insignificantly from LVL 0.40 at the beginning of the year to LVL 0.38 at the end of the period; however, during the first half the price has ranged from LVL 0.35 to LVL 0.52. In general JSC



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“Latvian Shipping Company” shares were the focus of much attention, with 1066 transactions at the exchange involving 2.52 million shares worth LVL 10.92 million or 39% of the total number of shares of Latvian companies that are included in the Official Baltic list and 16% of the total value of shares that were traded. On June 30, 2010, the capitalisation of JSC “Latvian Shipping Company” shares at the exchange reached LVL 76 000 000.

In handy or medium-sized tankers category JSC “Latvian Shipping Company” is among the leading tanker owners in the world, it is also in a leading position among similar companies in Northern Europe when it comes to oil shipments. JSC “Latvian Shipping Company” owns 21 modern up-to-standard tankers with well-trained and experienced crews. In total, the commercial fleet of JSC „Latvian Shipping Company” consists of 23 tankers, as JSC “Latvian Shipping Company” operates two tankers that belong to other ship owners. Shortly the fleet of JSC „Latvian Shipping Company” will be increased by four new medium-sized vessels.

**Conditions that might influence the Company’s financial situation and financial results during the next six months of the fiscal year**

A substantial progress has been reached in the legal procedure of the companies of JSC “Latvian Shipping Company” Group (Antonio Gramsci Shipping Corporation etc.) claiming recovery of losses in amount of LVL 100 million that is being reviewed in the Supreme Court of Justice Queen’s Bench Division Commercial court in London. The Court of Appeal has refused to bring an action upon the respondents’ claim. Thus, in the nearest future a decision favourable to the claimant will be taken, where exact amount of the losses to collect shall be set out.

The court case where JSC “International Baltic Investments Ltd” has raised a claim against the company and its shareholder – JSC “Ventspils nafta” about invalidation of the transaction concluded by “LASCO Investment” on purchase of a real estate and other assets continues. If the claim of JSC “International Baltic Investments Ltd” will be satisfied “LASCO Investment” will be entitled to regain the purchase payment that was transferred within the framework of this transaction. Considering this fact and the substantial recession of the Latvian economy JSC “Latvian Shipping Company” continues negotiations with JSC “Ventspils nafta” about restructuring of the transaction concluded by “LASCO Investment”. The restructurization of the transaction will also allow immediate preparation of the JSC “Latvian Shipping Company” financial report of 2009 and submit it for review to the regular Shareholders meeting summoned on December 17, 2010.

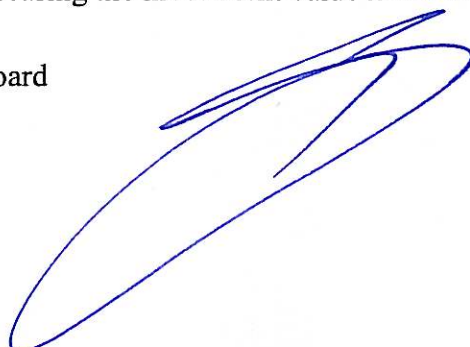
The financial operation of JSC “Latvian Shipping Company” during the next six months of the fiscal year still will be influenced by the fragile situation in the global economy and financial markets. Although there are positive trends in the global economics JSC “Latvian Shipping Company” will carry out cautious and well-considered financial and operational activities, continuing careful assessment of all costs and maximally efficient use of both internal and external resources.

Considering the diversified investments of JSC “Latvian Shipping Company” Group that consist of qualitative cash flow generating objects, as well as objects with good development potential JSC “Latvian Shipping Company” will continue maintenance of the purchased real estates raising their profitability and increasing the investment value in the interests of all shareholders.

Chairman of the Management Board

Imants Sarmulis

Riga, August 31, 2010



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***STATEMENT OF MANAGEMENT'S RESPONSIBILITIES***

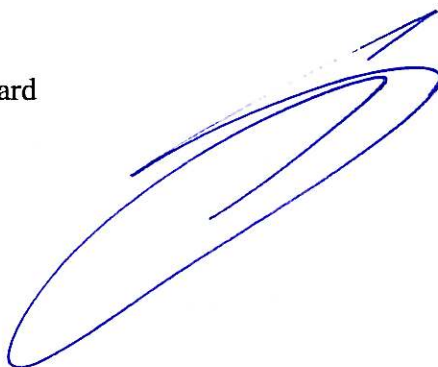
Unaudited consolidated financial statements are prepared to the best on our knowledge in accordance with International Financial Reporting Standards as adopted by the European Union. These unaudited financial statements give a true and fair view of the state of affairs of the Group and of the results of the Group for the period ended 30 June 2010 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.

Chairman of the Management Board

Imants Sarmulis



Riga, August 31, 2010



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**CONSOLIDATED INCOME STATEMENT**

	30.06.2010 US \$'000	30.06.2009 US \$'000	30.06.2010 LVL'000	30.06.2009 LVL'000	30.06.2010 EUR'000	30.06.2009 EUR'000
Revenue	45 342	104 608	23 990	55 152	36 968	74 571
Cost of sales	(43 066)	(71 037)	(22 786)	(37 453)	(35 112)	(50 639)
<b>Gross profit</b>	<b>2 276</b>	<b>33 571</b>	<b>1 204</b>	<b>17 699</b>	<b>1 856</b>	<b>23 932</b>
Sales and distribution expenses	(9)	(1 695)	(5)	(894)	(7)	(1 208)
Administration expenses	(8 537)	(13 220)	(4 517)	(6 970)	(6 960)	(9 424)
Gain/(loss) on sale of assets	(2 125)	1 083	(1 124)	571	(1 733)	772
<b>Profit/(loss) before financial items</b>	<b>(8 395)</b>	<b>19 739</b>	<b>(4 442)</b>	<b>10 406</b>	<b>(6 844)</b>	<b>14 072</b>
Net financial items	(16 685)	(10 568)	(8 828)	(5 572)	(13 603)	(7 533)
<b>Profit/(loss) before taxation</b>	<b>(25 080)</b>	<b>9 171</b>	<b>(13 270)</b>	<b>4 834</b>	<b>(20 447)</b>	<b>6 539</b>
Taxes	(155)	(194)	(82)	(102)	(126)	(138)
Minority interest	-	312	-	164	-	222
<b>Net profit/(loss)</b>	<b>(25 235)</b>	<b>9 289</b>	<b>(13 352)</b>	<b>4 896</b>	<b>(20 573)</b>	<b>6 623</b>
<b>Earnings/(loss) per share</b>	<b>US\$ (0.13)</b>	<b>US\$ 0.05</b>	<b>LVL (0.07)</b>	<b>LVL 0.02</b>	<b>EUR (0.10)</b>	<b>EUR 0.03</b>

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***CONSOLIDATED BALANCE SHEET***

	30.06.2010 US \$'000	31.12.2009 US \$'000	30.06.2010 LVL'000	31.12.2009 LVL'000	30.06.2010 EUR'000	31.12.2009 EUR'000
<b><i>ASSETS</i></b>						
<b><i>NON-CURRENT ASSETS</i></b>						
Goodwill	14 287	16 802	8 186	8 216	11 648	11 691
Intangible assets	3 059	3 675	1 753	1 797	2 494	2 557
<b>Total intangible assets</b>	<b>17 346</b>	<b>20 477</b>	<b>9 939</b>	<b>10 013</b>	<b>14 142</b>	<b>14 248</b>
Fleet	557 152	571 896	319 248	279 657	454 249	397 916
Other property, plant and equipment	13 661	16 537	7 828	8 087	11 138	11 506
Assets under construction	81 225	79 304	46 542	38 780	66 223	55 178
<b>Total property, plant and equipment</b>	<b>652 038</b>	<b>667 737</b>	<b>373 618</b>	<b>326 524</b>	<b>531 610</b>	<b>464 600</b>
<b>Investment properties</b>	<b>123 147</b>	<b>144 425</b>	<b>70 563</b>	<b>70 624</b>	<b>100 402</b>	<b>100 489</b>
Investments in associates accounted for using the equity method	388	388	222	190	317	270
Other financial assets	1 000	2 301	573	1 125	815	1 601
<b><i>TOTAL NON-CURRENT ASSETS</i></b>	<b>793 919</b>	<b>835 328</b>	<b>454 915</b>	<b>408 476</b>	<b>647 286</b>	<b>581 208</b>
<b><i>CURRENT ASSETS</i></b>						
Inventories	20 739	61 755	11 883	30 198	16 909	42 968
Assets subject to disposal	36 141	33 350	20 709	16 308	29 466	23 204
Trade accounts receivable	9 205	8 102	5 274	3 962	7 505	5 637
Prepayments and other receivables	14 736	5 592	8 444	2 734	12 014	3 891
Accounts receivable from related party	44	-	25	-	36	-
Deposits with maturity more than three months	67 127	55 987	38 464	27 378	54 729	38 955
Financial assets designated at fair value through profit or loss	1 202	1 319	689	645	980	918
Cash and cash equivalents	45 943	75 230	26 325	36 787	37 458	52 344
<b><i>TOTAL CURRENT ASSETS</i></b>	<b>195 137</b>	<b>241 335</b>	<b>111 813</b>	<b>118 012</b>	<b>159 097</b>	<b>167 917</b>
<b><i>TOTAL ASSETS</i></b>	<b>989 056</b>	<b>1 076 663</b>	<b>566 728</b>	<b>526 488</b>	<b>806 383</b>	<b>749 125</b>



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**CONSOLIDATED BALANCE SHEET (continued)**

	30.06.2010 US \$'000	31.12.2009 US \$'000	30.06.2010 LVL'000	31.12.2009 LVL'000	30.06.2010 EUR'000	31.12.2009 EUR'000
<b><u>SHAREHOLDERS' EQUITY &amp; LIABILITIES</u></b>						
<b><u>SHAREHOLDERS EQUITY</u></b>						
Share capital	362 319	362 319	200 000	200 000	284 574	284 574
Cash flow hedge reserve	(4 935)	(3 845)	(2 828)	(1 880)	(4 024)	(2 675)
Translation reserve	(23 739)	(7 472)	1 964	(32 134)	6 075	(44 018)
Retained earnings	149 997	175 232	77 989	91 341	107 691	128 264
	<u>483 642</u>	<u>526 234</u>	<u>277 125</u>	<u>257 327</u>	<u>394 316</u>	<u>366 145</u>
<i>Minority interest</i>	-	(1 692)	-	(827)	-	(1 177)
<b><u>TOTAL EQUITY</u></b>	<u>483 642</u>	<u>524 542</u>	<u>277 125</u>	<u>256 500</u>	<u>394 316</u>	<u>364 968</u>
<b><u>NON-CURRENT LIABILITIES</u></b>						
Bank loans and borrowings	330 996	345 843	189 661	169 117	269 863	240 632
Finance lease	27 995	28 571	16 041	13 971	22 824	19 879
Other financial liabilities	1 502	4 574	861	2 237	1 225	3 183
Deferred tax liabilities	14 192	16 631	8 132	8 133	11 571	11 572
Other long terms accounts payable	2 530	-	1 450	-	2 063	-
<b><u>TOTAL NON-CURRENT LIABILITIES</u></b>	<u>377 215</u>	<u>395 619</u>	<u>216 145</u>	<u>193 458</u>	<u>307 546</u>	<u>275 266</u>
<b><u>CURRENT LIABILITIES</u></b>						
Bank loans and borrowings	56 470	46 004	32 357	22 496	46 040	32 009
Finance lease	1 124	24 981	644	12 216	916	17 381
Other financial liabilities	3 630	722	2 080	353	2 960	502
Trade accounts payable	9 916	10 161	5 682	4 969	8 085	7 070
Accounts payable to related party	49 104	57 137	28 137	27 940	40 035	39 755
Deferred revenue	1 693	4 640	970	2 269	1 380	3 228
Other payables	6 262	12 857	3 588	6 287	5 105	8 946
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<u>128 199</u>	<u>156 502</u>	<u>73 458</u>	<u>76 530</u>	<u>104 521</u>	<u>108 891</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>505 414</u>	<u>552 121</u>	<u>289 603</u>	<u>269 988</u>	<u>412 067</u>	<u>384 157</u>
<b><u>TOTAL EQUITY &amp; LIABILITIES</u></b>	<u>989 056</u>	<u>1 076 663</u>	<u>566 728</u>	<u>526 488</u>	<u>806 383</u>	<u>749 125</u>

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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
<b>At 31 December 2008</b>	<b>362 319</b>	<b>(4 777)</b>	<b>(11 673)</b>	<b>195 464</b>	<b>753</b>	<b>542 086</b>
Currency translation differences and other reserves	-	1 734	2 410	-	-	4 144
Net profit for the period	-	-	-	9 289	-	9 289
Minority interest	-	-	-	-	(312)	(312)
<b>At 30 June 2009</b>	<b>362 319</b>	<b>(3 043)</b>	<b>(9 263)</b>	<b>204 753</b>	<b>441</b>	<b>555 207</b>
Currency translation differences and other reserves	-	(802)	1 791	-	-	989
Net loss for the period	-	-	-	(29 521)	-	(29 521)
Minority interest	-	-	-	-	(2 133)	(2 133)
<b>At 31 December 2009</b>	<b>362 319</b>	<b>(3 845)</b>	<b>(7 472)</b>	<b>175 232</b>	<b>(1 692)</b>	<b>524 542</b>
Currency translation differences and other reserves	-	(1 090)	(16 267)	-	-	(17 357)
Net loss for the period	-	-	-	(25 235)	-	(25 235)
Minority interest	-	-	-	-	1 692	1 692
<b>At 30 June 2010</b>	<b>362 319</b>	<b>(4 935)</b>	<b>(23 739)</b>	<b>149 997</b>	<b>-</b>	<b>483 642</b>



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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
<b>At 31 December 2008</b>	<b>200 000</b>	<b>(2 365)</b>	<b>(31 241)</b>	<b>101 565</b>	<b>373</b>	<b>268 332</b>
Currency translation differences and other reserves	-	840	4 239	-	-	5 079
Net profit for the period	-	-	-	4 896	-	4 896
Minority interest	-	-	-	-	(152)	(152)
<b>At 30 June 2009</b>	<b>200 000</b>	<b>(1 525)</b>	<b>(27 002)</b>	<b>106 461</b>	<b>221</b>	<b>278 155</b>
Currency translation differences and other reserves	-	(355)	(5 132)	-	-	(5 487)
Net loss for the period	-	-	-	(15 120)	-	(15 120)
Minority interest	-	-	-	-	(1 048)	(1 048)
<b>At 31 December 2009</b>	<b>200 000</b>	<b>(1 880)</b>	<b>(32 134)</b>	<b>91 341</b>	<b>(827)</b>	<b>256 500</b>
Currency translation differences and other reserves	-	(948)	34 098	-	-	33 150
Net loss for the period	-	-	-	(13 352)	-	(13 352)
Minority interest	-	-	-	-	827	827
<b>At 30 June 2010</b>	<b>200 000</b>	<b>(2 828)</b>	<b>1 964</b>	<b>77 989</b>	<b>-</b>	<b>277 125</b>

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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
<b>At 31 December 2008</b>	<b>284 574</b>	<b>(3 261)</b>	<b>(54 117)</b>	<b>142 340</b>	<b>514</b>	<b>370 050</b>
Currency translation differences and other reserves	-	1 093	18 217	-	-	19 310
Net profit for the period	-	-	-	6 623	-	6 623
Minority interest	-	-	-	-	(200)	(200)
<b>At 30 June 2009</b>	<b>284 574</b>	<b>(2 168)</b>	<b>(35 900)</b>	<b>148 963</b>	<b>314</b>	<b>395 783</b>
Currency translation differences and other reserves	-	(507)	(8 118)	-	-	(8 625)
Net loss for the period	-	-	-	(20 699)	-	(20 699)
Minority interest	-	-	-	-	(1 491)	(1 491)
<b>At 31 December 2009</b>	<b>284 574</b>	<b>(2 675)</b>	<b>(44 018)</b>	<b>128 264</b>	<b>(1 177)</b>	<b>364 968</b>
Currency translation differences and other reserves	-	(1 349)	50 093	-	-	48 744
Net loss for the period	-	-	-	(20 573)	-	(20 573)
Minority interest	-	-	-	-	1 177	1 177
<b>At 30 June 2010</b>	<b>284 574</b>	<b>(4 024)</b>	<b>6 075</b>	<b>107 691</b>	<b>-</b>	<b>394 316</b>



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**CONSOLIDATED CASH FLOW STATEMENT**

	30.06.2010 US \$'000	30.06.2009 US \$'000	30.06.2010 LVL'000	30.06.2009 LVL'000	30.06.2010 EUR'000	30.06.2009 EUR'000
<b>Profit/(loss) before taxation</b>	(25 080)	9 171	(13 270)	4 834	(20 447)	6 539
<b>Adjustments for:</b>						
Depreciation	14 024	21 104	7 420	11 127	11 434	15 044
Profit/(loss) on sale of fixed assets	2 124	(1 083)	1 124	(571)	1 732	(772)
Other adjustments	16 301	10 438	13 659	5 604	22 279	8 524
	<b>7 369</b>	<b>39 630</b>	<b>8 933</b>	<b>20 994</b>	<b>14 998</b>	<b>29 335</b>
<b>Movements in net working capital:</b>						
Inventories	(21 834)	(2 002)	(11 553)	(1 056)	(17 801)	(1 427)
Trade accounts receivable, prepayments and other receivables	(6 291)	2 296	(3 329)	1 211	(5 129)	1 637
Trade accounts payable and other liabilities	(9 695)	(5 906)	(5 130)	(3 114)	(7 904)	(4 211)
<b>Cash flow from Operations</b>	<b>(30 451)</b>	<b>34 018</b>	<b>(11 079)</b>	<b>18 035</b>	<b>(15 836)</b>	<b>25 334</b>
Net Cash flow from Investing Activities	2 611	(23 211)	1 382	(12 237)	2 129	(16 547)
<b>Cash flow before Financing Activities</b>	<b>(27 840)</b>	<b>10 807</b>	<b>(9 697)</b>	<b>5 798</b>	<b>(13 707)</b>	<b>8 787</b>
Net Cash flow from Financing Activities	(1 447)	(6 410)	(765)	(3 380)	(1 179)	(4 569)
<b>Increase in Cash and Cash Equivalents</b>	<b>(29 287)</b>	<b>4 397</b>	<b>(10 462)</b>	<b>2 418</b>	<b>(14 886)</b>	<b>4 218</b>
<b>Cash and Cash Equivalents at 1 January</b>	<b>75 230</b>	<b>35 849</b>	<b>36 787</b>	<b>17 745</b>	<b>52 344</b>	<b>24 472</b>
<b>Cash and Cash Equivalents at 30 June</b>	<b>45 943</b>	<b>40 246</b>	<b>26 325</b>	<b>20 163</b>	<b>37 458</b>	<b>28 690</b>

**Latvian Shipping Company and its Subsidiaries**  
**Unaudited Condensed Consolidated Financial Statements**  
**for the six month period ended 30 June 2010**

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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 2009, 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 30.06.2010 USD/LVL - 0.573 (average – 0.529099)

LB rate of exchange as at 30.06.2009 USD/LVL - 0.501 (average – 0.527227)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.06.2010: 1 USD = 0.815306 EUR  
(30.06.2009: 1 USD = 0.712859 EUR).



**Latvian Shipping Company & its Subsidiaries**  
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**for the six month period ended 30 June 2010**

*NOTES (continued)*

**2. SEGMENT INFORMATION**

	Shipping		Other activities		Total	
	30.06.10 US \$'000	30.06.09 US \$'000	30.06.10 US \$'000	30.06.09 US \$'000	30.06.10 US \$'000	30.06.09 US \$'000
Voyage income	60 848	110 126	-	-	60 848	110 126
Voyage costs	(16 924)	(13 811)	-	-	(16 924)	(13 811)
<b>Net voyage result</b>	<b>43 924</b>	<b>96 315</b>	<b>-</b>	<b>-</b>	<b>43 924</b>	<b>96 315</b>
Vessel operating costs	(28 068)	(43 310)	-	-	(28 068)	(43 310)
Vessel depreciation	(12 124)	(15 586)	-	-	(12 124)	(15 586)
<b>Vessel operating profit</b>	<b>3 732</b>	<b>37 419</b>	<b>-</b>	<b>-</b>	<b>3 732</b>	<b>37 419</b>
Revenue (Fleet excluding )	676	554	742	7 739	1 418	8 293
Cost of sales (Fleet excluding)	(1 641)	(1 868)	(1 233)	(10 273)	(2 874)	(12 141)
Sales and distribution expenses	(1)	-	(8)	(1 695)	(9)	(1 695)
Administration expenses	(8 381)	(9 512)	(156)	(3 708)	(8 537)	(13 220)
Result from sale of assets	(2 124)	1 100	(1)	(17)	(2 125)	1 083
<b>Segment result</b>	<b>(7 739)</b>	<b>27 693</b>	<b>(656)</b>	<b>(7 954)</b>	<b>(8 395)</b>	<b>19 739</b>
Net financial items	(9 539)	(7 115)	(7 146)	(3 453)	(16 685)	(10 568)
Taxes	(26)	(28)	(129)	(166)	(155)	(194)
Minority interest	-	-	-	312	-	312
<b>Net profit/(loss)</b>	<b>(17 304)</b>	<b>20 550</b>	<b>(7 931)</b>	<b>(11 261)</b>	<b>(25 235)</b>	<b>9 289</b>
<b>Segment assets</b>	<b>827 555</b>	<b>873 092</b>	<b>161 501</b>	<b>239 413</b>	<b>989 056</b>	<b>1 112 505</b>
<b>Segment liabilities</b>	<b>409 460</b>	<b>397 013</b>	<b>95 954</b>	<b>160 285</b>	<b>505 414</b>	<b>557 298</b>

**Latvian Shipping Company & its Subsidiaries**  
**Unaudited Condensed Consolidated Financial Statements**  
**for the six month period ended 30 June 2010**

*NOTES (continued)*

**2. SEGMENT INFORMATION (continued)**

	Shipping		Other activities		Total	
	30.06.10 LVL'000	30.06.09 LVL'000	30.06.10 LVL'000	30.06.09 LVL'000	30.06.10 LVL'000	30.06.09 LVL'000
Voyage income	32 194	58 061	-	-	32 194	58 061
Voyage costs	(8 954)	(7 282)	-	-	(8 954)	(7 282)
<b>Net voyage result</b>	<b>23 240</b>	<b>50 779</b>	<b>-</b>	<b>-</b>	<b>23 240</b>	<b>50 779</b>
Vessel operating costs	(14 851)	(22 836)	-	-	(14 851)	(22 836)
Vessel depreciation	(6 415)	(8 217)	-	-	(6 415)	(8 217)
<b>Vessel operating profit</b>	<b>1 974</b>	<b>19 726</b>	<b>-</b>	<b>-</b>	<b>1 974</b>	<b>19 726</b>
Revenues (Fleet excluding)	357	293	393	4 080	750	4 373
Cost of sales (Fleet excluding)	(867)	(986)	(653)	(5 416)	(1 520)	(6 402)
Sales and distribution expenses	(1)	-	(4)	(894)	(5)	(894)
Administration expenses	(4 434)	(5 015)	(83)	(1 955)	(4 517)	(6 970)
Result from sale of assets	(1 123)	580	(1)	(9)	(1 124)	571
<b>Segment result</b>	<b>(4 094)</b>	<b>14 600</b>	<b>(348)</b>	<b>(4 194)</b>	<b>(4 442)</b>	<b>10 406</b>
Net financial items	(5 047)	(3 751)	(3 781)	(1 821)	(8 828)	(5 572)
Taxes	(14)	(14)	(68)	(88)	(82)	(102)
Minority interest	-	-	-	164	-	164
<b>Net profit/(loss)</b>	<b>(9 155)</b>	<b>10 835</b>	<b>(4 197)</b>	<b>(5 939)</b>	<b>(13 352)</b>	<b>4 896</b>
<b>Segment assets</b>	<b>474 189</b>	<b>437 418</b>	<b>92 539</b>	<b>119 945</b>	<b>566 728</b>	<b>557 363</b>
<b>Segment liabilities</b>	<b>234 621</b>	<b>198 904</b>	<b>54 982</b>	<b>80 304</b>	<b>289 603</b>	<b>279 208</b>

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**Unaudited Condensed Consolidated Financial Statements**  
**for the six month period ended 30 June 2010**

*NOTES (continued)*

**2. SEGMENT INFORMATION (continued)**

	<b>Shipping</b>		<b>Other activities</b>		<b>Total</b>	
	<b>30.06.10</b>	<b>30.06.09</b>	<b>30.06.10</b>	<b>30.06.09</b>	<b>30.06.10</b>	<b>30.06.09</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Voyage income	49 610	78 504	-	-	49 610	78 504
Voyage costs	<u>(13 798)</u>	<u>(9 845)</u>	<u>-</u>	<u>-</u>	<u>(13 798)</u>	<u>(9 845)</u>
<b>Net voyage result</b>	<b>35 812</b>	<b>68 659</b>	<b>-</b>	<b>-</b>	<b>35 812</b>	<b>68 659</b>
Vessel operating costs	(22 884)	(30 874)	-	-	(22 884)	(30 874)
Vessel depreciation	(9 885)	(11 111)	-	-	(9 885)	(11 111)
<b>Vessel operating profit</b>	<b><u>3 043</u></b>	<b><u>26 674</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3 043</u></b>	<b><u>26 674</u></b>
Revenues (Fleet excluding )	550	395	606	5 517	1 156	5 912
Cost of sales (Fleet excluding)	(1 339)	(1 331)	(1 004)	(7 323)	(2 343)	(8 654)
Sales and distribution expenses	-	-	(7)	(1 208)	(7)	(1 208)
Administration expenses	(6 833)	(6 781)	(127)	(2 643)	(6 960)	(9 424)
Result from sale of assets	(1 732)	784	(1)	(12)	(1 733)	772
<b>Segment result</b>	<b><u>(6 311)</u></b>	<b><u>19 741</u></b>	<b><u>(533)</u></b>	<b><u>(5 669)</u></b>	<b><u>(6 844)</u></b>	<b><u>14 072</u></b>
Net financial items	(7 777)	(5 071)	(5 826)	(2 462)	(13 603)	(7 533)
Taxes	(21)	(20)	(105)	(118)	(126)	(138)
Minority interest	-	-	-	222	-	222
<b>Net profit/(loss)</b>	<b><u>(14 109)</u></b>	<b><u>14 650</u></b>	<b><u>(6 464)</u></b>	<b><u>(8 027)</u></b>	<b><u>(20 573)</u></b>	<b><u>6 623</u></b>
<b>Segment assets</b>	<b>674 711</b>	<b>622 391</b>	<b>131 672</b>	<b>170 668</b>	<b>806 383</b>	<b>793 059</b>
<b>Segment liabilities</b>	<b>333 834</b>	<b>283 015</b>	<b>78 233</b>	<b>114 261</b>	<b>412 067</b>	<b>397 276</b>



**Latvian Shipping Company & its Subsidiaries**  
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**for the six month period ended 30 June 2010**

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***NOTES***

**Contact person with respect to information presented in these financial statements**

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