



LATVIJAS KUGNIECĪBA

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

Unaudited Condensed Consolidated Financial Statements

**for the nine month period ended
30 September 2010**



Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

CONTENTS

| | |
|---|----|
| Information on parent company | 3 |
| Management report | 4 |
| Statement of Management's Responsibilities | 6 |
| Consolidated income statement | 7 |
| Consolidated balance sheet | 8 |
| Consolidated statement of changes in shareholders' equity | 10 |
| Consolidated cash flow statement | 13 |
| Notes | 14 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

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 Boldiševis 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 (till 22.10.2010) |
| Members of the Management Board | Paul Thomas (from 20.07.2010) Edvīns Bērziņš (from 27.09.2010) Ilva Purēna (till 09.02.2010) |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

MANAGEMENT REPORT

Dear shareholders and partners:

Considering the cautious recovery of the global shipping markets and the optimised expenses for vessel operational activities the fleet of JSC „Latvijas kuģniecība” (Latvian Shipping Company) during the 9 months of 2010 was able to show positive trends and the result from vessel operation during the said period has reached almost USD 8 million. In the same time due to the complicated situation in sectors that are not related to the basic business field the total result still is negative and total losses of the JSC „Latvian Shipping Company” Group during the reporting period reached USD 28.2 million. During the same period last year JSC „Latvian Shipping Company” Group gained profit in amount of USD 0.7 million.

Value of the Group’s equity capital at the end of the period amounts to USD 494.5 million that is by USD 30 million less than at the beginning of the year and constitutes 49% of the Group’s assets. Since the beginning of the year liabilities have decreased by USD 46 million or 8% and constitute 51% of the Group’s assets. Assets of the JSC „Latvian Shipping Company” Group as on 30 September 2010 amounted to USD 1000.4 million.

The Latvian Shipping Company is a public stock company with shares on Official list of the NASDAQ OMX Rīga. During the nine months of 2010 the share price has not actually changed as at the beginning of the year it was LVL 0.40, and at the end of the period it was LVL 0.42, although in the middle of the period when the market situation improved the price per share reached LVL 0.52. All in all the Latvian Shipping Company’s shares were among the most actively traded ones during the reporting period - 1826 transactions involving 3.52 million shares worth LVL 1.48 million were conducted, representing 42% of all share transactions on the NASDAQ OMX Rīga Official list during the reporting period. On September 30, 2010, capitalisation of Latvian Shipping Company shares at NASDAQ OMX Rīga was at a level of LVL 84 million.

At the end of the third quarter (Q3) the fleet under commercial management of the JSC „Latvian Shipping Company” consisted of 22 tankers, 20 of which are possessed by the JSC „Latvian Shipping Company” Group, but 2 vessels belong to other ship owners.

Pursuant to the resolution passed at the beginning of 2010 about sale of six *Kherson* tankers, already the fifth tanker of this type (“Estere”) was sold during the Q3. As a result of the JSC „Latvian Shipping Company” fleet updating programme the average age of the JSC „Latvian Shipping Company” Group’s fleet has reduced from 17.5 years in 2005 to 5 years at the end of the reporting period.

During the course of Q3 2010 tankers of the JSC „Latvian Shipping Company” fleet were mainly employed in time charter, as the time charter rates remained comparatively higher if comparing to voyage rates. The tanker time charter rates during the Q3 2010 levelled out both in the Handy and MR tanker sector giving hope to cautious market recovery.

Even though the result from vessel operation during the 9 months was positive and reached USD 8 million, the net voyage result of JSC „Latvian Shipping Company” Group’s vessels during the nine months of 2010 substantially fell behind the last year’s result and reached USD 65.8 million, thus cumulatively as from the beginning of the year showing the comparatively negative situation in the shipping markets. Reduction of operational costs was the most important step in

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

order to improve the fleet operation. In order to continue consideration of the future possibilities to reduce operational costs we will evaluate scenarios for outsourcing of the vessel technical management services.

In order to ensure qualitative management of the JSC „Latvian Shipping Company” Group a new member of the Management Board – Mr. Edvīns Bērziņš was elected, but Mr. Raivis Veckāgans voluntarily left the Management Board after the reporting period.

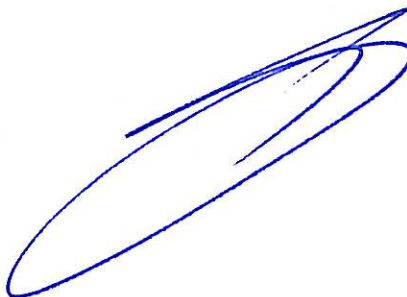
Stagnation in the Latvian real estate market has been the main reason for application of out-of-court legal protection process to the JSC „Latvian Shipping Company” Group’s companies „LASCO Investment” Ltd and „LASCO nekustamie īpašumi” Ltd. On 7 October 2010 the court approved out-of-court legal protection process of „LASCO Investment” Ltd on the term of 2 years, but on 1 October the court confirmed out-of-court legal protection process of „LASCO nekustamie īpašumi” Ltd for 1 year.

With the judgement of the Riga District Court of October 12, 2010, the claim of the liquidator of “Banka Baltija” against the Bank of Latvia and Ministry of Finance has been partly satisfied and from the Bank of Latvia 59.9 million lats recovered. Such a judgement of the first instance court is favourable to JSC „Latvian Shipping Company” as the claim of JSC „Latvian Shipping Company” against “Banka Baltija” is 14.4 million lats.

JSC „Latvian Shipping Company” will try it’s best to complete the JSC „Latvian Shipping Company” Group’s financial statements for 2009 and to submit for approval to the shareholders.

Chairman of the Management Board:

Riga, 29 November 2010



I. Sarmulis

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

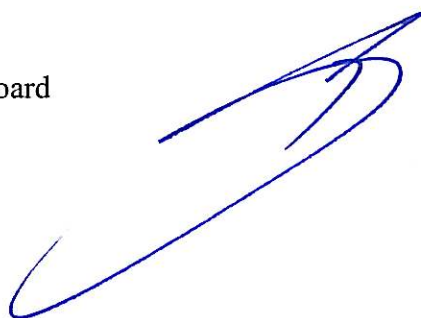
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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, 29 November 2010

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

CONSOLIDATED INCOME STATEMENT

| | 30.09.2010 US \$'000 | 30.09.2009 US \$'000 | 30.09.2010 LVL'000 | 30.09.2009 LVL'000 | 30.09.2010 EUR'000 | 30.09.2009 EUR'000 |
|---|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenue | 67 722 | 139 592 | 36 220 | 71 938 | 49 818 | 95 338 |
| Cost of sales | (61 993) | (104 561) | (33 156) | (53 885) | (45 603) | (71 413) |
| Gross profit | 5 729 | 35 031 | 3 064 | 18 053 | 4 215 | 23 925 |
| Sales and distribution expenses | (11) | (2 646) | (6) | (1 364) | (8) | (1 807) |
| Administration expenses | (12 623) | (19 511) | (6 751) | (10 055) | (9 286) | (13 326) |
| Gain/(loss) on sale of assets | (2 337) | 1 236 | (1 250) | 637 | (1 719) | 844 |
| Profit/(loss) before financial items | (9 242) | 14 110 | (4 943) | 7 271 | (6 798) | 9 636 |
| Net financial items | (18 697) | (13 540) | (10 000) | (6 978) | (13 754) | (9 248) |
| Profit/(loss) before taxation | (27 939) | 570 | (14 943) | 293 | (20 552) | 388 |
| Taxes | (239) | (300) | (128) | (155) | (176) | (205) |
| Minority interest | 9 | 421 | 5 | 217 | 6 | 288 |
| Net profit/(loss) | (28 169) | 691 | (15 066) | 355 | (20 722) | 471 |
| Earnings/(loss) per share | US\$ (0.14) | US\$ 0.00 | LVL (0.08) | LVL 0.00 | EUR (0.10) | EUR 0.00 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

CONSOLIDATED BALANCE SHEET

| | 30.09.2010 US \$'000 | 31.12.2009 US \$'000 | 30.09.2010 LVL'000 | 31.12.2009 LVL'000 | 30.09.2010 EUR'000 | 31.12.2009 EUR'000 |
|--|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>ASSETS</i> | | | | | | |
| <i>NON-CURRENT ASSETS</i> | | | | | | |
| Goodwill | 28 787 | 16 802 | 14 883 | 8 216 | 21 176 | 11 691 |
| Intangible assets | 3 302 | 3 675 | 1 707 | 1 797 | 2 429 | 2 557 |
| Total intangible assets | 32 089 | 20 477 | 16 590 | 10 013 | 23 605 | 14 248 |
| Fleet | 553 168 | 571 896 | 285 988 | 279 657 | 406 924 | 397 916 |
| Other property, plant and equipment | 15 811 | 16 537 | 8 174 | 8 087 | 11 631 | 11 506 |
| Assets under construction | 81 467 | 79 304 | 42 118 | 38 780 | 59 929 | 55 178 |
| Total property, plant and equipment | 650 446 | 667 737 | 336 280 | 326 524 | 478 484 | 464 600 |
| Investment properties | 136 319 | 144 425 | 70 477 | 70 624 | 100 280 | 100 489 |
| Investments in associates accounted for using the equity method | 23 636 | 388 | 12 220 | 190 | 17 387 | 270 |
| Other financial assets | 1 000 | 2 301 | 517 | 1 125 | 736 | 1 601 |
| <i>TOTAL NON-CURRENT ASSETS</i> | 843 490 | 835 328 | 436 084 | 408 476 | 620 492 | 581 208 |
| <i>CURRENT ASSETS</i> | | | | | | |
| Inventories | 20 773 | 61 755 | 10 740 | 30 198 | 15 281 | 42 968 |
| Assets subject to disposal | 3 297 | 33 350 | 1 705 | 16 308 | 2 425 | 23 204 |
| Trade accounts receivable | 3 285 | 8 102 | 1 698 | 3 962 | 2 417 | 5 637 |
| Prepayments and other receivables | 13 180 | 5 592 | 6 814 | 2 734 | 9 696 | 3 891 |
| Deposits with maturity more than three months | 67 735 | 55 987 | 35 019 | 27 378 | 49 828 | 38 955 |
| Financial assets designated at fair value through profit or loss | 1 400 | 1 319 | 724 | 645 | 1 030 | 918 |
| Cash and cash equivalents | 47 190 | 75 230 | 24 397 | 36 787 | 34 714 | 52 344 |
| <i>TOTAL CURRENT ASSETS</i> | 156 860 | 241 335 | 81 097 | 118 012 | 115 391 | 167 917 |
| <i>TOTAL ASSETS</i> | 1 000 350 | 1 076 663 | 517 181 | 526 488 | 735 883 | 749 125 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

CONSOLIDATED BALANCE SHEET (continued)

| | 30.09.2010 US \$'000 | 31.12.2009 US \$'000 | 30.09.2010 LVL'000 | 31.12.2009 LVL'000 | 30.09.2010 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 | (5 335) | (3 845) | (2 758) | (1 880) | (3 925) | (2 675) |
| Translation reserve | (15 433) | (7 472) | (20 904) | (32 134) | (28 753) | (44 018) |
| Retained earnings | 147 063 | 175 232 | 76 275 | 91 341 | 107 542 | 128 264 |
| | 488 614 | 526 234 | 252 613 | 257 327 | 359 438 | 366 145 |
| <i>Minority interest</i> | 5 933 | (1 692) | 3 067 | (827) | 4 364 | (1 177) |
| <u>TOTAL EQUITY</u> | 494 547 | 524 542 | 255 680 | 256 500 | 363 802 | 364 968 |
| <u>NON-CURRENT LIABILITIES</u> | | | | | | |
| Bank loans and borrowings | 323 961 | 345 843 | 167 488 | 169 117 | 238 314 | 240 632 |
| Finance lease | 27 687 | 28 571 | 14 314 | 13 971 | 20 367 | 19 879 |
| Other financial liabilities | 1 795 | 4 574 | 928 | 2 237 | 1 320 | 3 183 |
| Deferred tax liabilities | 15 730 | 16 631 | 8 132 | 8 133 | 11 571 | 11 572 |
| Other long terms accounts payable | 2 530 | - | 1 308 | - | 1 861 | - |
| <u>TOTAL NON-CURRENT LIABILITIES</u> | 371 703 | 395 619 | 192 170 | 193 458 | 273 433 | 275 266 |
| <u>CURRENT LIABILITIES</u> | | | | | | |
| Bank loans and borrowings | 56 905 | 46 004 | 29 420 | 22 496 | 41 861 | 32 009 |
| Finance lease | 1 163 | 24 981 | 601 | 12 216 | 856 | 17 381 |
| Other financial liabilities | 6 154 | 722 | 3 182 | 353 | 4 527 | 502 |
| Trade accounts payable | 6 137 | 10 161 | 3 173 | 4 969 | 4 515 | 7 070 |
| Accounts payable to related party | 54 887 | 57 137 | 28 377 | 27 940 | 40 376 | 39 755 |
| Deferred revenue | 4 065 | 4 640 | 2 102 | 2 269 | 2 990 | 3 228 |
| Other payables | 4 789 | 12 857 | 2 476 | 6 287 | 3 523 | 8 946 |
| <u>TOTAL CURRENT LIABILITIES</u> | 134 100 | 156 502 | 69 331 | 76 530 | 98 648 | 108 891 |
| <u>TOTAL LIABILITIES</u> | 505 803 | 552 121 | 261 501 | 269 988 | 372 081 | 384 157 |
| <u>TOTAL EQUITY & LIABILITIES</u> | 1 000 350 | 1 076 663 | 517 181 | 526 488 | 735 883 | 749 125 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

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 | - | 535 | 6 235 | - | - | 6 770 |
| Net profit for the period | - | - | - | 691 | - | 691 |
| Minority interest | - | - | - | - | (421) | (421) |
| At 30 September 2009 | 362 319 | (4 242) | (5 438) | 196 155 | 332 | 549 126 |
| Currency translation differences and other reserves | - | 397 | (2 034) | - | - | (1 637) |
| Net loss for the period | - | - | - | (20 923) | - | (20 923) |
| Minority interest | - | - | - | - | (2 024) | (2 024) |
| At 31 December 2009 | 362 319 | (3 845) | (7 472) | 175 232 | (1 692) | 524 542 |
| Currency translation differences and other reserves | - | (1 490) | (7 961) | - | - | (9 451) |
| Net loss for the period | - | - | - | (28 169) | - | (28 169) |
| Minority interest | - | - | - | - | 7 625 | 7 625 |
| At 30 September 2010 | 362 319 | (5 335) | (15 433) | 147 063 | 5 933 | 494 547 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

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 | - | 329 | (5 221) | - | 4 | (4 888) |
| Net profit for the period | - | - | - | 355 | - | 355 |
| Minority interest | - | - | - | - | (217) | (217) |
| At 30 September 2009 | 200 000 | (2 036) | (36 462) | 101 920 | 160 | 263 582 |
| Currency translation differences and other reserves | - | 156 | 4 328 | - | - | 4 484 |
| Net loss for the period | - | - | - | (10 579) | - | (10 579) |
| Minority interest | - | - | - | - | (987) | (987) |
| At 31 December 2009 | 200 000 | (1 880) | (32 134) | 91 341 | (827) | 256 500 |
| Currency translation differences and other reserves | - | (878) | 11 230 | - | - | 10 352 |
| Net loss for the period | - | - | - | (15 066) | - | (15 066) |
| Minority interest | - | - | - | - | 3 894 | 3 894 |
| At 30 September 2010 | 200 000 | (2 758) | (20 904) | 76 275 | 3 067 | 255 680 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

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 | - | 364 | 4 442 | - | 1 | 4 807 |
| Net profit for the period | - | - | - | 471 | - | 471 |
| Minority interest | - | - | - | - | (288) | (288) |
| At 30 September 2009 | 284 574 | (2 897) | (49 675) | 142 811 | 227 | 375 040 |
| Currency translation differences and other reserves | - | 222 | 5 657 | - | - | 5 879 |
| Net loss for the period | - | - | - | (14 547) | - | (14 547) |
| Minority interest | - | - | - | - | (1 404) | (1 404) |
| At 31 December 2009 | 284 574 | (2 675) | (44 018) | 128 264 | (1 177) | 364 968 |
| Currency translation differences and other reserves | - | (1 250) | 15 265 | - | - | 14 015 |
| Net loss for the period | - | - | - | (20 722) | - | (20 722) |
| Minority interest | - | - | - | - | 5 541 | 5 541 |
| At 30 September 2010 | 284 574 | (3 925) | (28 753) | 107 542 | 4 364 | 363 802 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

CONSOLIDATED CASH FLOW STATEMENT

| | 30.09.2010 US \$'000 | 30.09.2009 US \$'000 | 30.09.2010 LVL'000 | 30.09.2009 LVL'000 | 30.09.2010 EUR'000 | 30.09.2009 EUR'000 |
|--|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Profit/(loss) before taxation | (27 939) | 570 | (14 943) | 293 | (20 552) | 388 |
| Adjustments for: | | | | | | |
| Depreciation | 21 273 | 30 037 | 11 377 | 15 479 | 15 649 | 20 515 |
| Profit/(loss) on sale of fixed assets | 2 337 | (1 236) | 1 250 | (637) | 1 719 | (844) |
| Other adjustments | 18 066 | 13 326 | 12 269 | 5 244 | 16 286 | 9 115 |
| | 13 737 | 42 697 | 9 953 | 20 379 | 13 102 | 29 174 |
| Inventories | 3 835 | (1 632) | 2 051 | (841) | 2 821 | (1 115) |
| Trade accounts receivable, prepayments and other receivables | 433 | 3 475 | 232 | 1 791 | 319 | 2 373 |
| Trade accounts payable and other liabilities | (11 037) | (5 706) | (5 903) | (2 941) | (8 119) | (3 897) |
| Cash flow from Operations | 6 968 | 38 834 | 6 333 | 18 388 | 8 123 | 26 535 |
| Net Cash flow from Investing Activities | (25 177) | 13 308 | (13 465) | 6 858 | (18 521) | 9 089 |
| Cash flow before Financing Activities | (18 209) | 52 142 | (7 132) | 25 246 | (10 398) | 35 624 |
| Net Cash flow from Financing Activities | (9 831) | (21 380) | (5 258) | (11 018) | (7 232) | (14 602) |
| Increase in Cash and Cash Equivalents | (28 040) | 30 762 | (12 390) | 14 228 | (17 630) | 21 022 |
| Cash and Cash Equivalents at 1 January | 75 230 | 35 849 | 36 787 | 17 745 | 52 344 | 24 472 |
| Cash and Cash Equivalents at 30 September | 47 190 | 66 611 | 24 397 | 31 973 | 34 714 | 45 494 |

Latvian Shipping Company and its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

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 30.09.2010 USD/LVL - 0.517 (average – 0.534832)

LB rate of exchange as at 30.09.2009 USD/LVL - 0.48 (average – 0.515344)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.09.2010: 1 USD = 0.735625 EUR
(30.09.2009: 1 USD = 0.682978 EUR).

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

NOTES (continued)

2. SEGMENT INFORMATION

| | Shipping | | Other activities | | Total | |
|---------------------------------|------------------|------------------|-------------------------|------------------|------------------|------------------|
| | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 |
| | US \$'000 | US \$'000 | US \$'000 | US \$'000 | US \$'000 | US \$'000 |
| Voyage income | 85 393 | 155 797 | - | - | 85 393 | 155 797 |
| Voyage costs | (19 558) | (29 143) | - | - | (19 558) | (29 143) |
| Net voyage result | 65 835 | 126 654 | - | - | 65 835 | 126 654 |
| Vessel operating costs | (39 676) | (63 790) | - | - | (39 676) | (63 790) |
| Vessel depreciation | (18 186) | (22 513) | - | - | (18 186) | (22 513) |
| Vessel operating profit | 7 973 | 40 351 | - | - | 7 973 | 40 351 |
| Revenue (Fleet excluding) | 783 | 786 | 1 104 | 12 152 | 1 887 | 12 938 |
| Cost of sales (Fleet excluding) | (2 346) | (2 699) | (1 785) | (15 559) | (4 131) | (18 258) |
| Sales and distribution expenses | (3) | - | (8) | (2 646) | (11) | (2 646) |
| Administration expenses | (11 754) | (14 100) | (869) | (5 411) | (12 623) | (19 511) |
| Result from sale of assets | (2 905) | 1 254 | 568 | (18) | (2 337) | 1 236 |
| Segment result | (8 252) | 25 592 | (990) | (11 482) | (9 242) | 14 110 |
| Net financial items | (13 243) | (9 057) | (5 454) | (4 483) | (18 697) | (13 540) |
| Taxes | (39) | (43) | (200) | (257) | (239) | (300) |
| Minority interest | 9 | - | - | 421 | 9 | 421 |
| Net profit/(loss) | (21 525) | 16 492 | (6 644) | (15 801) | (28 169) | 691 |
| Segment assets | 820 856 | 884 729 | 179 494 | 248 061 | 1 000 350 | 1 132 790 |
| Segment liabilities | 402 303 | 420 363 | 103 500 | 163 301 | 505 803 | 583 664 |

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

NOTES (continued)

2. SEGMENT INFORMATION (continued)

| | Shipping | | Other activities | | Total | |
|---------------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 |
| | LVL'000 | LVL'000 | LVL'000 | LVL'000 | LVL'000 | LVL'000 |
| Voyage income | 45 671 | 80 289 | - | - | 45 671 | 80 289 |
| Voyage costs | (10 461) | (15 019) | - | - | (10 461) | (15 019) |
| Net voyage result | 35 210 | 65 270 | - | - | 35 210 | 65 270 |
| Vessel operating costs | (21 220) | (32 874) | - | - | (21 220) | (32 874) |
| Vessel depreciation | (9 726) | (11 602) | - | - | (9 726) | (11 602) |
| Vessel operating profit | 4 264 | 20 794 | - | - | 4 264 | 20 794 |
| Revenues (Fleet excluding) | 419 | 405 | 591 | 6 263 | 1 010 | 6 668 |
| Cost of sales (Fleet excluding) | (1 254) | (1 391) | (956) | (8 018) | (2 210) | (9 409) |
| Sales and distribution expenses | (2) | - | (4) | (1 364) | (6) | (1 364) |
| Administration expenses | (6 286) | (7 266) | (465) | (2 789) | (6 751) | (10 055) |
| Result from sale of assets | (1 554) | 646 | 304 | (9) | (1 250) | 637 |
| Segment result | (4 413) | 13 188 | (530) | (5 917) | (4 943) | 7 271 |
| Net financial items | (7 083) | (4 667) | (2 917) | (2 311) | (10 000) | (6 978) |
| Taxes | (21) | (22) | (107) | (133) | (128) | (155) |
| Minority interest | 5 | - | - | 217 | 5 | 217 |
| Net profit/(loss) | (11 512) | 8 499 | (3 554) | (8 144) | (15 066) | 355 |
| Segment assets | 424 383 | 424 670 | 92 798 | 119 070 | 517 181 | 543 740 |
| Segment liabilities | 207 991 | 201 774 | 53 510 | 78 384 | 261 501 | 280 158 |

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

NOTES (continued)

2. SEGMENT INFORMATION (continued)

| | Shipping | | Other activities | | Total | |
|---------------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 | 30.09.10 | 30.09.09 |
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Voyage income | 62 817 | 106 406 | - | - | 62 817 | 106 406 |
| Voyage costs | (14 388) | (19 904) | - | - | (14 388) | (19 904) |
| Net voyage result | 48 429 | 86 502 | - | - | 48 429 | 86 502 |
| Vessel operating costs | (29 187) | (43 567) | - | - | (29 187) | (43 567) |
| Vessel depreciation | (13 378) | (15 376) | - | - | (13 378) | (15 376) |
| Vessel operating profit | 5 864 | 27 559 | - | - | 5 864 | 27 559 |
| Revenues (Fleet excluding) | 576 | 537 | 813 | 8 299 | 1 389 | 8 836 |
| Cost of sales (Fleet excluding) | (1 725) | (1 843) | (1 313) | (10 627) | (3 038) | (12 470) |
| Sales and distribution expenses | (2) | - | (6) | (1 807) | (8) | (1 807) |
| Administration expenses | (8 646) | (9 630) | (640) | (3 696) | (9 286) | (13 326) |
| Result from sale of assets | (2 137) | 856 | 418 | (12) | (1 719) | 844 |
| Segment result | (6 070) | 17 479 | (728) | (7 843) | (6 798) | 9 636 |
| Net financial items | (9 742) | (6 186) | (4 012) | (3 062) | (13 754) | (9 248) |
| Taxes | (29) | (29) | (147) | (176) | (176) | (205) |
| Minority interest | 6 | - | - | 288 | 6 | 288 |
| Net profit/(loss) | (15 835) | 11 264 | (4 887) | (10 793) | (20 722) | 471 |
| Segment assets | 603 842 | 604 251 | 132 041 | 169 420 | 735 883 | 773 671 |
| Segment liabilities | 295 944 | 287 099 | 76 137 | 111 532 | 372 081 | 398 631 |

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2010

NOTES

Contact person with respect to information presented in these financial statements

Girts Apsītis
Assistant of Chairman of Management Board
Phone: +371 67020126
E-mail: girts.apsitis@lscgroup.lv