

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

Unaudited Condensed Consolidated Financial Statements

**for the nine month period ended
30 September 2011**



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JSC “Latvijas kuģniecība” Supervisory Council

Chairman of the Council	Simon Digby Boddy
Deputy Chairperson of the Council	Mikhail Dvorak
Members of the Council:	Vladimir Egger Javed Ahmed Rubil Yilmaz Mark Morell Ware Christophe Theophanis Matsacos Oļegs Stepanovs (from 28.01.2011) Mārtiņš Kvēps (from 28.01.2011) Olga Pētersone (from 28.01.2011) Jaakko Sakari Mikael Salmelin (from 27.07.2011) Serguei Choutov (from 28.01.2011 until 27.07.2011)

JSC “Latvijas kuģniecība” Management Board

Chairman of the Management Board	Simon Richard Blaydes (from 15.11.2011) Paul Thomas (until 15.11.2011)
Members of the Management Board	Michael Main King Paul Thomas (from 15.11.2011) Christopher James Kernon (from 05.01.2011) Simon Richard Blaydes (from 01.06.2011. until 15.11.2011) Ashley John Neale (until 01.06.2011)

Review of shares

Information on share price dynamics for the period from 01.01.2011 till 30.09.2011



Securities information

ISIN	LV0000101103
Ticker	LSC1R
Market	BALTIC MAIN LIST
Issuer	Latvijas kuģniecība (LSC)
Nominal value	1.00 LVL
Total number of securities	200,000,000
Number of listed securities	200,000,000
Listing date	26.06.2002

Company shareholders (over 5%) as of 30.04.2011

Name	Ownership interest
AS "Ventspils nafta"	49.94%
AS "INTERNATIONAL BALTIC INVESTMENTS LTD"	27.55%
VAS "Valsts sociālās apdrošināšanas aģentūra"	10.00%

None of the Management Board and Supervisory Council members owns LK shares directly.

Management report

Dear shareholders and stakeholders,

Latvian Shipping Company (hereafter – LSC) and its subsidiaries (hereafter – LSC Group or Group) financial results for Q1-Q3/2011 were negative with a net loss amounting to 30.41 million USD. At the same reporting period last year the Group result was net loss 28.18 million USD. A large part of the reporting period loss (12.56 million USD) relates to the provisions made for the assets which are held for sale and therefore has no negative cash-flow impact. In Q3/2011 LSC Group continued to work to improve the company's work efficiency and optimize administrative costs which now are reduced by 33% when compared with the same period in 2010.

On the 30th September 2011 the fleet under commercial management of the LSC Group consisted of 20 tankers, 19 of which are owned by the LSC Group, with 1 vessel chartered in from a sale and leaseback deal. On the 27th July 2011 LSC received its second new build tanker "Zemgale" from "Hyundai Mipo Dockyard Co., Ltd" shipyard in Korea thus adding one more modern vessel to LSC fleet this year. In September LK sold the 17 year old vessel "Indra" to scrap. This now means LSC has a modern and competitive fleet of tankers with an average age of 4.5 years. At the end of reporting period LSC reclassified three of its oldest vessels as possible assets for the sale in order to ensure sustainable financing for the remaining fleet.

In the reporting period net voyage income from shipping was 67.08 million USD, which is a slight increase from 65.84 million USD for the same reporting period in the previous year, but it must be taken into account that more vessels were under LSC commercial management in Q1-Q3/2010 in comparison to the same period of 2011. During Q1-Q3/2010 part of the fleet was employed in the spot market which incurred substantial associated voyage costs for bunkers and port charges (19.59 million USD in 2010 compared to 4.58 million USD in 2011). Furthermore throughout 2010 LSC Group sold seven older ships, six of which were sold during Q1-Q3. During Q1-Q3/2011 18 tankers of the LSC Group fleet were employed on time charters, only 2 tankers were traded on the spot market. During Q1-Q3/2011 LSC Group has concluded 10 new time-charter agreements.

At the end of the reporting period Q1-Q3/2011, the total value of the LSC Group assets has not fundamentally changed and at 30th September 2011 it was 676.97 million USD. During the reporting period the total value of the LSC Group fleet has decreased from 570.50 million USD to 527.12 million USD mainly due to the reclassification of three vessels as assets which are held for sale as explained before. The total equity value of the Group at 30th September 2011 was 285.58 million USD in comparison to 313.18 million USD at the beginning of the year.

During Q1-Q3/2011 the price of LSC shares on the NASDAQ OMX Rīga decreased by 5.01%. This can be mainly attributed to the general negative macroeconomic trends as the OMX Baltic Benchmark GI index in the same period decreased by 16.76%. The Latvian Shipping Company's shares were among the trading leaders during the reporting period – 1,399 transactions involving 13.38 million shares worth 5.80 LVL million were conducted, representing 76% of all share transactions in terms of share amount and 31% of all share transactions in terms of value on the NASDAQ OMX Rīga official list during the reporting period. On the 30th September 2011 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Rīga was 72.00 million LVL.

During Q1-Q3/2011 significant litigation was continuing in the UK Courts with regard to substantial losses suffered in previous years by LSC Group. Also a series of transactions concluded by previous management were challenged through the courts in Latvia regarding the dissipation of funds and other assets during 2010 and before.

The shipping markets remain very challenging. Ship chartering rates and the global economic situation are closely aligned. Negative economic developments, especially within EU since the middle of the year, have made the outlook for shipping even more complicated and the anticipated signs of improvement in ship chartering rates are likely to be delayed.

However, LSC's fleet average time charter duration is 12 months which provides some degree of income stream protection for the company in the current economic environment.

Looking forward LSC management is acutely aware of the impact global economic events can have on the earning potential of ship-owners and continues to carefully consider such when planning future LSC income.

Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 22 November 2011

Statement of Management's Responsibilities

The Management Board of JSC "Latvian Shipping Company" prepares consolidated financial statements for each reporting period which give a true and fair view of the state of affairs of the JSC "Latvian Shipping Company" and its subsidiaries (hereafter – the Group) as of 30 September 2011, changes in shareholders' equity, cash flows and the results of the Group for the period ended of 30 September 2011.

The aforementioned financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union on a going concern basis. During the reporting period, appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.

For and on behalf of the Management Board

Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 22 November 2011

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated income statement

for the period ended 30 September 2011

	2011 US \$'000	2010 US \$'000	2011 LVL'000	2010 LVL'000	2011 EUR'000	2010 EUR'000
Voyage income	70 962	85 393	35 551	45 671	50 584	62 817
Income from printing and publishing	-	32	-	17	-	24
Income from management of real estate	-	1 067	-	571	-	785
Rendering of services	701	788	347	422	494	580
Revenue	71 663	87 280	35 898	46 681	51 078	64 206
Voyage costs	(4 580)	(19 558)	(2 251)	(10 461)	(3 203)	(14 388)
Cost of sales	(59 864)	(61 993)	(29 769)	(33 156)	(42 357)	(45 603)
Gross profit	7 219	5 729	3 878	3 064	5 518	4 215
Selling costs	(6)	(11)	(3)	(6)	(4)	(8)
Administrative expenses	(8 481)	(12 623)	(4 226)	(6 751)	(6 014)	(9 286)
Result from disposal of non-financial assets	(682)	(2 337)	(383)	(1 250)	(544)	(1 719)
Impairment of non-financial assets	(12 564)	-	(6 444)	-	(9 169)	-
Impairment of financial assets	(11)	-	(6)	-	(9)	-
Other operating income	52	-	26	-	37	-
Operating profit/(loss)	(14 473)	(9 242)	(7 158)	(4 943)	(10 185)	(6 798)
Finance income	358	1 824	161	975	230	1 342
Finance costs	(15 641)	(20 521)	(7 772)	(10 975)	(11 059)	(15 096)
Loss before tax	(29 756)	(27 939)	(14 769)	(14 943)	(21 014)	(20 552)
Income tax	(654)	(239)	(326)	(128)	(464)	(176)
Loss for the period	(30 410)	(28 178)	(15 095)	(15 071)	(21 478)	(20 728)
Attributable to:						
Equity holders of the parent	(30 383)	(28 169)	(15 081)	(15 066)	(21 458)	(20 722)
Non-controlling interests	(27)	(9)	(14)	(5)	(20)	(6)
	(30 410)	(28 178)	(15 095)	(15 071)	(21 478)	(20 728)
Loss per share	US\$ (0.15)	US\$ (0.14)	LVL (0.08)	LVL (0.08)	EUR (0.11)	EUR (0.10)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of comprehensive income

for the period ended 30 September 2011

	2011 US \$'000	2010 US \$'000	2011 LVL'000	2010 LVL'000	2011 EUR'000	2010 EUR'000
Loss for the period	<u>(30 410)</u>	<u>(28 178)</u>	<u>(15 095)</u>	<u>(15 071)</u>	<u>(21 478)</u>	<u>(20 728)</u>
Other comprehensive income/ (expenses)						
Exchange differences on translation of foreign operations	2 357	(7 961)	(6 521)	11 230	(19 966)	15 265
Net movement on cash flow hedges	<u>452</u>	<u>(1 490)</u>	<u>313</u>	<u>(878)</u>	<u>446</u>	<u>(1 250)</u>
Other comprehensive income/ (expenses) for the period, net of tax	<u>2 809</u>	<u>(9 451)</u>	<u>(6 208)</u>	<u>10 352</u>	<u>(19 520)</u>	<u>14 015</u>
Total comprehensive (loss) for the period, net of tax	<u>(27 601)</u>	<u>(37 629)</u>	<u>(21 303)</u>	<u>(4 719)</u>	<u>(40 998)</u>	<u>(6 713)</u>
Attributable to:						
Equity holders of the parent	(28 172)	(37 620)	(21 289)	(4 714)	(40 978)	(6 707)
Non-controlling interests	<u>571</u>	<u>(9)</u>	<u>(14)</u>	<u>(5)</u>	<u>(20)</u>	<u>(6)</u>
	<u>(27 601)</u>	<u>(37 629)</u>	<u>(21 303)</u>	<u>(4 719)</u>	<u>(40 998)</u>	<u>(6 713)</u>

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of financial position

as at 30 September 2011

	30.09.2011 US \$'000	31.12.2010 US \$'000	30.09.2011 LVL'000	31.12.2010 LVL'000	30.09.2011 EUR'000	31.12.2010 EUR'000
Assets						
Non-current assets						
Other intangible assets	330	540	170	289	242	411
Fleet	527 117	570 502	271 992	305 219	387 010	434 288
Other property, plant and equipment	3 916	4 049	2 021	2 166	2 875	3 082
Investment properties	3 234	3 138	1 668	1 679	2 374	2 389
Investments in associates	15	26	8	13	11	18
Other non-current financial assets	8 579	7 720	4 427	4 130	6 299	5 876
Total non-current assets	543 191	585 975	280 286	313 496	398 811	446 064
Current assets						
Inventories	3 677	2 028	1 897	1 085	2 700	1 544
Trade and other receivables	7 558	10 166	3 900	5 438	5 549	7 738
Prepayments	2 626	2 203	1 355	1 179	1 928	1 678
Other current financial assets	30 770	31 866	15 877	18 160	22 591	25 839
Cash and short term deposits	29 750	42 471	15 351	22 722	21 843	32 330
Total current assets	74 381	88 734	38 380	48 584	54 611	69 129
Assets classified as held for sale	59 400	5 760	30 651	3 082	43 612	4 385
Total assets	676 972	680 469	349 317	365 162	497 034	519 578

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of financial position (continued)

as at 30 September 2011

	<u>30.09.2011</u> <u>US \$'000</u>	<u>31.12.2010</u> <u>US \$'000</u>	<u>30.09.2011</u> <u>LVL'000</u>	<u>31.12.2010</u> <u>LVL'000</u>	<u>30.09.2011</u> <u>EUR'000</u>	<u>31.12.2010</u> <u>EUR'000</u>
Equity and liabilities						
Equity						
Issued capital	362 319	362 319	200 000	200 000	284 574	284 574
Accumulated deficit	(67 613)	(37 230)	(37 443)	(22 362)	(53 358)	(31 900)
Other components of equity	<u>(15 583)</u>	<u>(17 794)</u>	<u>(18 530)</u>	<u>(12 322)</u>	<u>(26 284)</u>	<u>(17 451)</u>
Equity attributable to equity holders of the parent	279 123	307 295	144 027	165 316	204 932	235 223
Non-controlling interests	6 453	5 882	3 330	3 344	4 738	4 758
Total equity	<u>285 576</u>	<u>313 177</u>	<u>147 357</u>	<u>168 660</u>	<u>209 670</u>	<u>239 981</u>
Non-current liabilities						
Interest bearing loans	305 015	281 949	157 388	150 843	223 943	214 630
Finance lease	26 109	27 094	13 472	14 495	19 169	20 625
Other financial liabilities	2 654	1 416	1 369	757	1 949	1 077
Trade and other payables	1 662	300	858	161	1 220	229
Deferred tax liability	215	207	111	111	158	158
Total non-current liabilities	<u>335 655</u>	<u>310 966</u>	<u>173 198</u>	<u>166 367</u>	<u>246 439</u>	<u>236 719</u>
Current liabilities						
Trade and other payables	18 055	15 934	9 316	8 525	13 256	12 130
Interest bearing loans	31 203	31 230	16 101	16 708	22 909	23 773
Finance lease	1 216	1 105	627	591	893	841
Other financial liabilities	1 101	2 792	568	1 494	809	2 126
Deferred revenue	4 166	5 265	2 150	2 817	3 058	4 008
Total current liabilities	<u>55 741</u>	<u>56 326</u>	<u>28 762</u>	<u>30 135</u>	<u>40 925</u>	<u>42 878</u>
Total equity and liabilities	<u><u>676 972</u></u>	<u><u>680 469</u></u>	<u><u>349 317</u></u>	<u><u>365 162</u></u>	<u><u>497 034</u></u>	<u><u>519 578</u></u>

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of changes in equity

for the period ended 30 September 2011

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Issued capital	Retained earnings/ (accumulated deficit)	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000		
At 31 December 2009	362 319	105 205	(3 845)	(8 907)	454 772	-	454 772
Loss for the period	-	(28 169)	-	-	(28 169)	(9)	(28 178)
Other comprehensive expense	-	-	(1 490)	(7 961)	(9 451)	-	(9 451)
Total comprehensive income/(expenses)	-	(28 169)	(1 490)	(7 961)	(37 620)	(9)	(37 629)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2010	362 319	77 036	(5 335)	(16 868)	417 152	(9)	417 143
Loss for the period	-	(114 266)	-	-	(114 266)	(50)	(114 316)
Other comprehensive income	-	-	1 127	3 282	4 409	-	4 409
Total comprehensive income/(expenses)	-	(114 266)	1 127	3 282	(109 857)	(50)	(109 907)
Non-controlling interests	-	-	-	-	-	5 941	5 941
At 31 December 2010	362 319	(37 230)	(4 208)	(13 586)	307 295	5 882	313 177
Loss for the period	-	(30 383)	-	-	(30 383)	(27)	(30 410)
Other comprehensive income/(expenses)	-	-	452	1 759	2 211	598	2 809
Total comprehensive income/(expenses)	-	(30 383)	452	1 759	(28 172)	571	(27 601)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2011	362 319	(67 613)	(3 756)	(11 827)	279 123	6 453	285 576

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of changes in equity (continued)

for the period ended 30 September 2011

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Issued capital	Retained earnings/ (accumulated deficit)	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000		
At 31 December 2009	200 000	55 958	(1 880)	(31 694)	222 384	-	222 384
Loss for the period	-	(15 066)	-	-	(15 066)	(5)	(15 071)
Other comprehensive income/(expense)	-	-	(878)	11 230	10 352	-	10 352
Total comprehensive income/(expenses)	-	(15 066)	(878)	11 230	(4 714)	(5)	(4 719)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2010	200 000	40 892	(2 758)	(20 464)	217 670	(5)	217 665
Loss for the period	-	(63 254)	-	-	(63 254)	(26)	(63 280)
Other comprehensive income	-	-	507	10 393	10 900	-	10 900
Total comprehensive income/(expenses)	-	(63 254)	507	10 393	(52 354)	(26)	(52 380)
Non-controlling interests	-	-	-	-	-	3 375	3 375
At 31 December 2010	200 000	(22 362)	(2 251)	(10 071)	165 316	3 344	168 660
Loss for the period	-	(15 081)	-	-	(15 081)	(14)	(15 095)
Other comprehensive income/(expenses)	-	-	313	(6 521)	(6 208)	-	(6 208)
Total comprehensive income/(expenses)	-	(15 081)	313	(6 521)	(21 289)	(14)	(21 303)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2011	200 000	(37 443)	(1 938)	(16 592)	144 027	3 330	147 357

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of changes in equity (continued)

for the period ended 30 September 2011

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Issued capital	Retained earnings/ (accumulated deficit)	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000		
At 31 December 2009	284 574	79 539	(2 675)	(45 014)	316 424	-	316 424
Loss for the period	-	(20 722)	-	-	(20 722)	(6)	(20 728)
Other comprehensive income/(expense)	-	-	(1 250)	15 265	14 015	-	14 015
Total comprehensive income/(expense)	-	(20 722)	(1 250)	15 265	(6 707)	(6)	(6 713)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2010	284 574	58 817	(3 925)	(29 749)	309 717	(6)	309 711
Loss for the period	-	(90 717)	-	-	(90 717)	(38)	(90 755)
Other comprehensive income	-	-	722	15 501	16 223	-	16 223
Total comprehensive income/(expenses)	-	(90 717)	722	15 501	(74 494)	(38)	(74 532)
Non-controlling interests	-	-	-	-	-	4 802	4 802
At 31 December 2010	284 574	(31 900)	(3 203)	(14 248)	235 223	4 758	239 981
Loss for the period	-	(21 458)	-	-	(21 458)	(20)	(21 478)
Other comprehensive income/(expenses)	-	-	446	(9 279)	(8 833)	-	(8 833)
Total comprehensive income/(expenses)	-	(21 458)	446	(9 279)	(30 291)	(20)	(30 311)
Non-controlling interests	-	-	-	-	-	-	-
At 30 September 2011	284 574	(53 358)	(2 757)	(23 527)	204 932	4 738	209 670

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Consolidated statement of cash flows

for the period ended 30 September 2011

	2011 US \$'000	2010 US \$'000	2011 LVL'000	2010 LVL'000	2011 EUR'000	2010 EUR'000
Operating activities						
Loss before taxation	(29 756)	(27 939)	(14 769)	(14 943)	(21 014)	(20 552)
<u>Adjustments for:</u>						
Depreciation and amortisation	20 915	21 273	10 376	11 377	14 764	15 649
Result on disposal of non-financial assets	682	2 337	383	1 250	544	1 719
Other adjustments	27 009	18 066	12 426	12 269	17 682	16 286
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	679	433	339	232	482	319
Changes in inventories	(1 649)	3 835	(825)	2 051	(1 174)	2 821
Changes in trade and other payables	(1 534)	(11 037)	(767)	(5 903)	(1 091)	(8 119)
Net cash flows from/(used in) operating activities	16 346	6 968	7 163	6 333	10 193	8 123
Net cash flows used in investing activities	(39 138)	(25 177)	(19 568)	(13 465)	(27 842)	(18 521)
Cash flows before financing activities	(22 792)	(18 209)	(12 405)	(7 132)	(17 649)	(10 398)
Net cash flows from financing activities	10 071	(9 831)	5 034	(5 258)	7 162	(7 232)
Net decrease in cash and cash equivalents	(12 721)	(28 040)	(7 371)	(12 390)	(10 487)	(17 630)
Cash and cash equivalents at 1 January	42 471	75 230	22 722	36 787	32 330	52 344
Cash and cash equivalents at 30 September	29 750	47 190	15 351	24 397	21 843	34 714

Notes to the unaudited condensed consolidated financial statements

1. Accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with and comply with accounting policies applied in preparation of the consolidated financial statements of Latvian Shipping Company and its Subsidiaries for the year ended 31 December 2010, 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 on the reporting date, income and expenses for income statement are translated at the actual rates at the date of transaction, whilst resulting exchange differences are recognised as a separate component of equity.

LB rate of exchange as at 30.09.2011 USD/LVL - 0.516 (average – 0.499989)

LB rate of exchange as at 30.09.2010 USD/LVL - 0.517 (average – 0.534832)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.09.2011: 1 EUR = 0.702804 LVL, 30.09.2010: 1 USD = 0.735625 EUR.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Notes to the unaudited condensed consolidated financial statements (continued)

2. Segment information

for the period ended 30 September 2011

	Shipping		Other		Adjustments and eliminations		Total	
	2011 US \$'000	2010 US \$'000	2011 US \$'000	2010 US \$'000	2011 US \$'000	2010 US \$'000	2011 US \$'000	2010 US \$'000
External customers	71 663	86 176	-	1 104	-	-	71 663	87 280
Inter-segment	5	128	-	342	(5)	(470)	-	-
Revenue	71 668	86 304	-	1 446	(5)	(470)	71 663	87 280
Voyage costs	(4 580)	(19 558)	-	-	-	-	(4 580)	(19 558)
Vessel operating costs	(37 117)	(38 071)	-	-	-	-	(37 117)	(38 071)
Cost of sales (Fleet excluding)	(2 366)	(2 296)	-	(1 020)	-	7	(2 366)	(3 309)
Selling costs	(6)	(3)	-	(8)	-	-	(6)	(11)
Administrative expenses	(7 755)	(11 434)	(197)	(991)	5	463	(7 947)	(11 962)
Result from disposal of non-financial assets	(682)	(2 905)	-	568	-	-	(682)	(2 337)
Depreciation and amortisation	(20 914)	(20 502)	(1)	(772)	-	-	(20 915)	(21 274)
Impairment of non-financial assets	(12 564)	-	-	-	-	-	(12 564)	-
Impairment of financial assets	(11)	-	-	-	-	-	(11)	-
Other operating income	52	-	-	-	-	-	52	-
Result before financial items	(14 275)	(8 465)	(198)	(777)	-	-	(14 473)	(9 242)
Financial income	407	2 466	11	1	(60)	(643)	358	1 824
Financial expense	(15 641)	(17 795)	(60)	(3 369)	60	643	(15 641)	(20 521)
Income tax	(654)	(39)	-	(200)	-	-	(654)	(239)
Segment result	(30 163)	(23 833)	(247)	(4 345)	-	-	(30 410)	(28 178)
Segment assets	650 417	874 918	38 657	179 494	(12 102)	(54 062)	676 972	1 000 350
Segment liabilities	391 073	456 365	12 425	103 500	(12 102)	(54 062)	391 396	505 803

Adjustments and eliminations represent consolidation entries (intercompany equity holdings, outstanding balances and transactions).

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Notes to the unaudited condensed financial statements (continued)

2. Segment information (continued)

for the period ended 30 September 2011

	Shipping		Other		Adjustments and eliminations		Total	
	2011 LVL'000	2010 LVL'000	2011 LVL'000	2010 LVL'000	2011 LVL'000	2010 LVL'000	2011 LVL'000	2010 LVL'000
External customers	35 898	46 091	-	590	-	-	35 898	46 681
Inter-segment	2	68	-	183	(2)	(251)	-	-
Revenue	35 900	46 159	-	773	(2)	(251)	35 898	46 681
Voyage costs	(2 251)	(10 461)	-	-	-	-	(2 251)	(10 461)
Vessel operating costs	(18 482)	(20 362)	-	-	-	-	(18 482)	(20 362)
Cost of sales (Fleet excluding)	(1 176)	(1 228)	-	(546)	-	4	(1 176)	(1 770)
Selling costs	(3)	(2)	-	(4)	-	-	(3)	(6)
Administrative expenses	(3 865)	(6 114)	(98)	(530)	2	247	(3 961)	(6 397)
Result from disposal of non-financial assets	(383)	(1 554)	-	304	-	-	(383)	(1 250)
Depreciation and amortisation	(10 376)	(10 965)	-	(413)	-	-	(10 376)	(11 378)
Impairment of non-financial assets	(6 444)	-	-	-	-	-	(6 444)	-
Impairment of financial assets	(6)	-	-	-	-	-	(6)	-
Other operating income	26	-	-	-	-	-	26	-
Result before financial items	(7 060)	(4 527)	(98)	(416)	-	-	(7 158)	(4 943)
Financial income	187	1 318	4	1	(30)	(344)	161	975
Financial expense	(7 772)	(9 517)	(30)	(1 802)	30	344	(7 772)	(10 975)
Income tax	(326)	(21)	-	(107)	-	-	(326)	(128)
Segment result	(14 971)	(12 747)	(124)	(2 324)	-	-	(15 095)	(15 071)
Segment assets	335 615	452 333	19 947	92 798	(6 245)	(27 950)	349 317	517 181
Segment liabilities	201 794	235 941	6 411	53 510	(6 245)	(27 950)	201 960	261 501

Adjustments and eliminations represent consolidation entries (intercompany equity holdings, outstanding balances and transactions).

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

Notes to the unaudited condensed financial statements (continued)

2. Segment information (continued)

for the period ended 30 September 2011

	Shipping		Other		Adjustments and eliminations		Total	
	2011 EUR'000	2010 EUR'000	2011 EUR'000	2010 EUR'000	2011 EUR'000	2010 EUR'000	2011 EUR'000	2010 EUR'000
External customers	51 078	63 394	-	812	-	-	51 078	64 206
Inter-segment	3	94	-	252	(3)	(346)	-	-
Revenue	51 081	63 488	-	1 064	(3)	(346)	51 078	64 206
Voyage costs	(3 203)	(14 388)	-	-	-	-	(3 203)	(14 388)
Vessel operating costs	(26 298)	(28 006)	-	-	-	-	(26 298)	(28 006)
Cost of sales (Fleet excluding)	(1 673)	(1 689)	-	(750)	-	5	(1 673)	(2 434)
Selling costs	(4)	(2)	-	(6)	-	-	(4)	(8)
Administrative expenses	(5 498)	(8 411)	(139)	(729)	3	341	(5 634)	(8 799)
Result from disposal of non-financial assets	(544)	(2 137)	-	418	-	-	(544)	(1 719)
Depreciation and amortisation	(14 766)	(15 082)	-	(568)	-	-	(14 766)	(15 650)
Impairment of non-financial assets	(9 169)	-	-	-	-	-	(9 169)	-
Impairment of financial assets	(9)	-	-	-	-	-	(9)	-
Other operating income	37	-	-	-	-	-	37	-
Result before financial items	(10 046)	(6 227)	(139)	(571)	-	-	(10 185)	(6 798)
Financial income	267	1 814	6	1	(43)	(473)	230	1 342
Financial expense	(11 059)	(13 091)	(43)	(2 478)	43	473	(11 059)	(15 096)
Income tax	(464)	(29)	-	(147)	-	-	(464)	(176)
Segment result	(21 302)	(17 533)	(176)	(3 195)	-	-	(21 478)	(20 728)
Segment assets	477 537	643 612	28 382	132 040	(8 885)	(39 769)	497 034	735 883
Segment liabilities	287 127	335 713	9 122	76 137	(8 885)	(39 769)	287 364	372 081

Adjustments and eliminations represent consolidation entries (intercompany equity holdings, outstanding balances and transactions).

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

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