

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

Condensed Consolidated Financial Statements

31 December 2012

CONTENTS

Consolidated income statement	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8

Consolidated income statement

for the year ended 31 December 2012

	2012 EUR'000	2011 EUR'000
Voyage income	89 016	69 492
Income from other services	743	694
Revenue	89 759	70 186
Voyage costs	(20 348)	(6 249)
Cost of sales	(50 841)	(52 618)
Gross profit	18 570	11 319
Selling costs	-	(4)
Administrative expenses	(8 529)	(10 718)
Impairment of non-financial assets	(21 740)	(20 293)
Other operating income	273	287
Other operating expenses	(481)	(974)
Operating loss	(11 907)	(20 383)
Finance income	21	1 477
Finance costs	(14 518)	(14 847)
Loss before tax	(26 404)	(33 753)
Income tax	(132)	(530)
Loss for the year	(26 536)	(34 283)
Attributable to:		
Equity holders of the parent	(26 506)	(34 257)
Non-controlling interests	(30)	(26)
	(26 536)	(34 283)
Loss per share	EUR (0.13)	EUR (0.17)

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	2012 EUR'000	2011 EUR'000
	<u> </u>	<u> </u>
Loss for the year	(26 536)	(34 283)
Exchange differences on translation of foreign operations	(3 963)	(72)
Net movement on cash flow hedges	653	1 122
Other comprehensive (expenses)/income for the year, net of tax	(3 310)	1 050
Total comprehensive loss for the year, net of tax	(29 846)	(33 233)
Attributable to:		
Equity holders of the parent	(29 816)	(33 207)
Non-controlling interests	(30)	(26)
	<u>(29 846)</u>	<u>(33 233)</u>

Consolidated statement of financial position

as at 31 December 2012

	2012 EUR'000	2011 EUR'000
Assets		
Non-current assets		
Intangible assets	28	184
Fleet	391 239	394 740
Property, plant and equipment	2 665	2 840
Investment properties	1 421	1 441
Investment in associates	10	10
Other non-current financial assets	3 327	6 081
Total non-current assets	398 690	405 296
Current assets		
Inventories	3 601	2 944
Trade and other receivables	10 672	5 579
Prepayments	1 222	1 020
Other current financial items	23 761	22 908
Cash and short-term deposits	19 744	20 886
Total current assets	59 000	53 337
Assets classified as held for sale	-	45 979
Total assets	457 690	504 612

Consolidated statement of financial position *(continued)*

as at 31 December 2012

	2012	2011
	EUR'000	EUR'000
Equity and liabilities		
Equity		
Issued capital	284 574	284 574
(Accumulated deficit)/retained earnings	(92 096)	(65 590)
Other components of equity	(19 711)	(16 401)
Equity attributable to equity holders of the parent	172 767	202 583
Non-controlling interests	4 702	4 732
Total equity	177 469	207 315
 Non-current liabilities		
Interest bearing loans	200 948	230 047
Finance lease	18 405	19 950
Derivative financial instruments	915	711
Trade and other payables	21 746	1 503
Deffered tax liability	80	105
Total non-current liabilities	242 094	252 316
 Current liabilities		
Trade and other payables	11 053	10 556
Interest bearing loans	23 577	24 135
Finance lease	1 093	978
Derivative financial instruments	571	1 370
Deferred revenue	1 833	7 942
Total current liabilities	38 127	44 981
Total equity and liabilities	457 690	504 612

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Attributable to the equity holders of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve			
	EUR'000	EUR'000	EUR'000	EUR'000			
As at 1 January 2012	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315
Loss for the period	-	(26 506)	-	-	(26 506)	(30)	(26 536)
Other comprehensive income/(expense)	-	-	653	(3 963)	(3 310)	-	(3 310)
Total comprehensive income/(expense)	-	(26 506)	653	(3 963)	(29 816)	(30)	(29 846)
As at 31 December 2012	284 574	(92 096)	(1 428)	(18 283)	172 767	4 702	177 469

for the year ended 31 December 2011

	Attributable to the equity holders of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve			
	EUR'000	EUR'000	EUR'000	EUR'000			
As at 1 January 2011	284 574	(31 333)	(3 203)	(14 248)	235 790	4 758	240 548
Loss for the period	-	(34 257)	-	-	(34 257)	(26)	(34 283)
Other comprehensive income/(expense)	-	-	1 122	(72)	1 050	-	1 050
Total comprehensive income/(expense)	-	(34 257)	1 122	(72)	(33 207)	(26)	(33 233)
As at 31 December 2011	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315

Consolidated statement of cash flows

for the year ended 31 December 2012

	2012 EUR'000	2011 EUR'000
Operating activities		
Loss before tax	(26 404)	(33 753)
Non-cash adjustment to reconcile loss before tax to net cash flows:		
Depreciation of other property, plant and equipment and fleet	21 885	18 467
Amortisation of intangible assets	185	242
Depreciation of investment properties	20	20
Decrease in financial instruments	-	(16)
Loss on disposal of non-financial assets	1	316
Currency translation difference	65	(1 830)
Finance income	(21)	(53)
Finance costs	13 951	14 700
Recognised impairment	21 740	20 293
Changes in fair value of financial assets	-	(16)
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	(1 873)	1 510
Increase in inventories	(748)	(1 278)
(Decrease)/increase in trade and other payables	(7 083)	1 845
Income tax paid	(467)	(650)
Net cash flows from operating activities	21 251	19 797
Investing activities		
Proceeds from sale of non-current assets	1	22 336
Purchase of non-current assets	(3 858)	(53 831)
Proceeds from sale of financial instruments	-	2 390
Placement of deposits with maturity more than three months	(1 000)	-
Loans received	-	1 083
Loans issued	(400)	-
Interest received	18	125
Net cash flows (used in)/from investing activities	(5 239)	(27 897)
Financing activities		
Payment of finance lease liabilities	(1 125)	(795)
Proceeds from borrowings	22 444	36 448
Repayment of borrowings	(25 239)	(24 081)
Interest paid	(12 450)	(13 412)
Prepaid financing expenses	(314)	(976)
Net cash flows used in financing activities	(16 684)	(2 816)
Net decrease in cash and cash equivalents	(672)	(10 916)
Cash and cash equivalents at 1 January	20 886	32 330
Exchange losses on cash and cash equivalents	(470)	(528)
Cash and cash equivalents at 31 December	19 744	20 886

These financial statements should be read in conjunction with the audited consolidated financial statements of JSC "Latvian Shipping Company" and its subsidiaries for year 2012.

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.12.2012: 1 EUR = 0.702804 LVL, 31.12.2011: 1 EUR = 0.702804 LVL.