

**Public Joint Stock Company
“Latvijas Kuģniecība”**

Condensed Financial Statements

31 December 2012

Content

Income statement	3
Balance Sheet	4
Statement of Changes in Shareholders' Equity	6
Cash Flow Statement	7

Income statement

for the year ended 31 December 2012

	2012 EUR	2012 LVL	2011 EUR	2011 LVL
Net sales	3 591 835	2 524 356	6 588 675	4 630 547
Cost of sales	<u>(1 625 050)</u>	<u>(1 142 092)</u>	<u>(2 364 706)</u>	<u>(1 661 925)</u>
Gross profit	1 966 785	1 382 264	4 223 969	2 968 622
Administrative expenses	(1 574 851)	(1 106 812)	(1 717 692)	(1 207 201)
Other operating income	-	-	69 837	49 082
Other operating expenses	(872)	(613)	(998 983)	(702 089)
Interest and similar income	11 576	8 136	215 729	151 615
Interest and similar expenses	<u>(125 721)</u>	<u>(88 357)</u>	<u>(5 555)</u>	<u>(3 904)</u>
Profit before taxation	276 917	194 618	1 787 305	1 256 125
Corporate income tax and deferred tax	(132 444)	(93 082)	(531 256)	(373 369)
Real estate tax	<u>(39 267)</u>	<u>(27 597)</u>	<u>(39 684)</u>	<u>(27 890)</u>
Net profit for the year	<u>105 206</u>	<u>73 939</u>	<u>1 216 365</u>	<u>854 866</u>

LATVIAN SHIPPING COMPANY
CONDENSED FINANCIAL STATEMENTS FOR 2012

Balance Sheet

as at 31 December 2012

	2012 EUR	2012 LVL	2011 EUR	2011 LVL
Assets				
Non-Current Assets				
Intangible Assets:				
Concessions, patents, licenses, trademarks and similar rights	20 938	14 715	170 819	120 052
Total Intangible Assets:	20 938	14 715	170 819	120 052
Tangible Assets:				
Land, buildings and constructions	2 370 231	1 665 808	2 445 800	1 718 918
Other fixed assets	170 646	119 931	237 722	167 072
Total Tangible Assets:	2 540 877	1 785 739	2 683 522	1 885 990
Investment properties	1 420 796	998 541	1 440 791	1 012 594
Non-Current Financial Assets:				
Investments in subsidiaries	50 495 001	35 488 089	50 495 001	35 488 089
Investments in associates	10 747	7 553	10 747	7 553
Other long term debtors	-	-	20 333	14 290
Total Non-Current Financial Assets:	50 505 748	35 495 642	50 526 081	35 509 932
Total Non-Current Assets	54 488 359	38 294 637	54 821 213	38 528 568
Current Assets				
Inventories	4 987	3 505	1 801	1 266
Accounts receivable and prepayments:				
Trade receivables	-	-	2 006	1 410
Amounts due from related companies	1 588 614	1 116 484	1 904 239	1 338 307
Other receivables	510 227	358 589	199 820	140 434
Deferred expenses	57 549	40 446	48 326	33 964
Total Accounts Receivable:	2 156 390	1 515 519	2 154 391	1 514 115
Cash and Cash Equivalents	2 620 891	1 841 973	2 156 115	1 515 326
Total Current Assets	4 782 268	3 360 997	4 312 307	3 030 707
Total Assets	59 270 627	41 655 634	59 133 520	41 559 275

LATVIAN SHIPPING COMPANY
CONDENSED FINANCIAL STATEMENTS FOR 2012

Balance Sheet (Continued)

as at 31 December 2012

	2012 EUR	2012 LVL	2011 EUR	2011 LVL
Shareholders' Equity and Liabilities				
Shareholders' Equity				
Share capital	284 574 362	200 000 000	284 574 362	200 000 000
Accumulated deficit				
a) accumulated deficit for the prior years	(226 138 004)	(158 930 694)	(227 354 369)	(159 785 560)
b) profit for the reporting year	105 206	73 939	1 216 365	854 866
Total Shareholders' Equity	58 541 564	41 143 245	58 436 358	41 069 306
Liabilities:				
Non-current Liabilities:				
Deferred tax liabilities	79 264	55 707	105 123	73 881
Total Non-current Liabilities	79 264	55 707	105 123	73 881
Current Liabilities:				
Finance lease	1 453	1 021	-	-
Trade payables	74 214	52 158	73 133	51 398
Amounts due to related companies	283 707	199 391	237 365	166 821
Taxes and social security contributions	56 963	40 034	60 981	42 858
Other accounts payable	74 177	52 132	64 679	45 457
Accrued liabilities	159 285	111 946	155 881	109 554
Total Current Liabilities	649 799	456 682	592 039	416 088
Total Liabilities	729 063	512 389	697 162	489 969
Total Shareholders' Equity and Liabilities	59 270 627	41 655 634	59 133 520	41 559 275

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2012

	Share Capital EUR	Share Capital LVL	Accumulated deficit EUR	Accumulated deficit LVL	Total EUR	Total LVL
At 31 December 2010	284 574 362	200 000 000	(227 354 369)	(159 785 560)	57 219 993	40 214 440
Net profit for the year	-	-	1 216 365	854 866	1 216 365	854 866
At 31 December 2011	284 574 362	200 000 000	(226 138 004)	(158 930 694)	58 436 358	41 069 306
Net profit for the year	-	-	105 206	73 939	105 206	73 939
At 31 December 2012	284 574 362	200 000 000	(226 032 798)	(158 856 755)	58 541 564	41 143 245

Cash Flow Statement

for the year ended 31 December 2012

	2012 EUR	2012 LVL	2011 EUR	2011 LVL
Cash Flow from Operating Activities				
Profit before taxation	276 916	194 618	1 787 305	1 256 125
Adjustments for:				
Depreciation	237 447	166 879	271 696	190 949
Intangible assets amortisation	174 390	122 562	217 173	152 630
Impairment of investment properties	-	-	928 307	652 418
Foreign exchange loss/(profit)	125 936	88 508	(86 264)	(60 627)
Other interest income	(11 576)	(8 136)	(5 542)	(3 895)
Other interest expenses	1 251	879	1 143	803
Loss from disposal of fixed assets	872	613	838	589
Profit before adjustments for movements in net working capital	805 236	565 923	3 114 656	2 188 992
Adjustments for:				
(Increase)/ decrease in inventories	(3 186)	(2 239)	12 228	8 594
Decrease in trade and other receivables	338 286	237 749	756 581	531 728
Increase/(decrease) in trade and other payables	57 801	40 623	(873 226)	(613 707)
Gross Cash Flow from Operating Activities	1 198 137	842 056	3 010 239	2 115 607
Corporate income tax paid	(466 693)	(327 994)	(650 554)	(457 212)
Real estate tax paid	(39 267)	(27 597)	(39 737)	(27 927)
Net Cash Flow from Operating Activities	692 177	486 465	2 319 948	1 630 468
Cash Flow from Investing Activities				
Acquisition of tangible and intangible assets, assets under construction	(85 667)	(60 207)	(38 482)	(27 045)
Loans issued	-	-	(697 207)	(490 000)
Proceeds from sale of fixed and intangible assets	174	122	8 765	6 160
Interest received	17	12	1 591	1 118
Net Cash Flow from Investing Activities	(85 476)	(60 073)	(725 333)	(509 767)
Cash Flow from Financial Activities				
Payment of finance lease liabilities	(15 720)	(11 048)	-	-
Interest paid	(269)	(189)	-	-
Net Cash Flow from Financial Activities	(15 989)	(11 237)	-	-
Currency Translation Difference	(125 936)	(88 508)	86 264	60 627
Net Increase in Cash and Cash Equivalents	464 776	326 647	1 680 879	1 181 328
Cash and Cash Equivalents at the beginning of the year	2 156 115	1 515 326	475 236	333 998
Cash and Cash Equivalents at the end of the year	2 620 891	1 841 973	2 156 115	1 515 326

These financial statements should be read in conjunction with the audited financial statements of JSC "Latvian Shipping Company" 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.