

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

Unaudited Condensed Consolidated Financial Statements

for the 1st quarter 2012



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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

Mārtiņš Kvēps

Jaakko Sakari Mikael Salmelin

Serguei Choutov

Ivars Girgensons

Professional experience of the members of the Supervisory Council

<i>Simon Boddy</i>	Since 1989, Simon Boddy has worked in various positions in the <i>Vitol Group</i> of companies. From 2006 until 2008 he was Chief Representative of <i>Vitol's</i> Moscow office and Chairman of <i>Vitol's</i> terminal in Kaliningrad (Russia). Since 2009 he has been the Managing Director of the company <i>ETOS Latvia</i> , responsible for <i>Vitol's</i> commercial activities in Latvia, as well as being a member of the <i>JSC Ventspils nafta (VN)</i> Management Board. Simon Boddy currently holds the position of Chairman of the <i>VN</i> Management Board (since January 20, 2010). He does not own <i>JSC Latvian Shipping Company (LSC)</i> shares.
<i>Mikhail Dvorak</i>	The <i>Vitol Group's</i> Financial Controller, Financial Director in the Group's companies in the former USSR countries. Currently holds position of Deputy Chairman of the <i>VN</i> Supervisory Council, re-elected in the <i>VN</i> Supervisory Council in November 22, 2011. He does not own <i>LSC</i> shares.
<i>Christophe Theophanis Matsacos</i>	Joined the <i>Vitol</i> financial group in 2008. He is working in the <i>Vitol's</i> representation office in Moscow and is responsible for business development in Russia and former CIS countries. Before working for <i>Vitol</i> , K.T.Matsacos has gained experience in the banking sector, working for <i>VTB Europe (London)</i> (previously – <i>Moscow Narodny Bank</i>) where he was responsible for oil business and financial area in Russia and former CIS countries. Since July, 2010, he is also a member of the <i>VN</i> Supervisory Council. He does not own <i>LSC</i> shares.
<i>Rubil Yilmaz</i>	Member of the Supervisory Council of <i>Ventspils nafta termināls Ltd</i> , Manager of the Amsterdam terminal of the <i>Vitol Tank Terminals International (VTTI)</i> Group and Financial Director of <i>VTTI</i> . Since January 20, 2010 he holds the position of Supervisory Council member of <i>VN</i> . He does not own <i>LSC</i> shares.
<i>Vladimir Egger</i>	The Chief Representative of the <i>Vitol Group's</i> company <i>VNT SA</i> in Moscow. Since January 20, 2010 he holds the position of Chairman of the <i>VN</i> Supervisory Council. He does not own <i>LSC</i> shares.
<i>Javed Ahmed</i>	The Head of the <i>Vitol Group's</i> purchasing and investment division; Management Board member of the <i>Vitol Tank Terminals International</i> Group, Management Board member of <i>Blue Knight Energy Partners</i> , as well Since January 20, 2010 he holds the position of Supervisory Council member of <i>VN</i> . He does not own <i>LSC</i> shares.
<i>Mark Morrell Ware</i>	The <i>Vitol Group's</i> Director in Corporate Matters, previously Corporate Communications Director of the company <i>BP</i> until 2008. Since January 20, 2010 he holds the position of Supervisory Council member of <i>VN</i> . He does not own <i>LSC</i> shares.
<i>Jaakko Sakari Mikael Salmelin</i>	Jaakko Salmelin has worked over 8 years as an analyst and a portfolio manager in various equity markets. Since 2003 he has focused solely on emerging European equity markets first in <i>Danske Capital</i> , <i>Sampo Bank plc.</i> and subsequently in <i>KJK Capital Oy</i> , which he co-founded in 2010. He holds the positions of: Member of the Management Board of <i>KJK Fund SICAV SIF</i> , Member of the Board <i>KJK Management SA</i> , Member of the Board of <i>KJK Capital Oy</i> , Member of the Supervisory Board and member of the Audit committee in <i>JSC Baltika</i> . He owns 5 500 <i>LSC</i> shares.
<i>Ivars Girgensons</i>	A lawyer in the corporate finance company <i>Confide</i> . His main area of specialization is civil law and commercial law. Previously he has managed <i>Creative Consultation Centre Ltd</i> , has worked for <i>Baltijas Ofiss Ltd</i> , <i>Akvašips Ltd</i> and has been a manager of a branch of <i>JSC SEB banka</i> . He does not own <i>LSC</i> shares.
<i>Mārtiņš Kvēps</i>	Sworn attorney since 1999, Deputy chairman of the Supervisory Council of <i>JSC Ventbunkers</i> from 2006 until 2010, Chairman of the Supervisory Council of <i>JSC Latvijas naftas tranzīts</i> from 2007 until 2010. He does not own <i>LSC</i> shares.
<i>Oļegs Stepanovs</i>	Doctor of Economic Sciences, Vice-president of the <i>Baltic Association – Transport and Logistics</i> from 2006 until 2011, Chairman of the Supervisory Board of <i>JSC Ventspils Commercial Port</i> from 2009 until 2010, Member of the Supervisory Council of <i>JSC Ventspils Nafta</i> from 2010 until 2011, Chairman of the Supervisory Council of <i>JSC SS&F Group</i> since 2008, Member of the Supervisory Council of <i>JSC Baltic Coal Terminal</i> since 2009. He does not own <i>LSC</i> shares.
<i>Serguei Choutov</i>	Graduated the Moscow State Institute of International Relations and obtained a Doctor's degree in economic science in 1998. He is a member of the Transport Academy of Russia. In the 1980s he worked as a manager in the companies <i>Sovbunker</i> and <i>Soyuznefteexport</i> , later he was a managing director at <i>Navitank A.B.</i> , but since 2006 he is the Chairman of the Management Board of <i>Transgroup Ltd</i> . He does not own <i>LSC</i> shares.

Management Board

Chairman of the Management Board

Simon Richard Blaydes

Members of the Management Board

Michael Main King

Paul Thomas

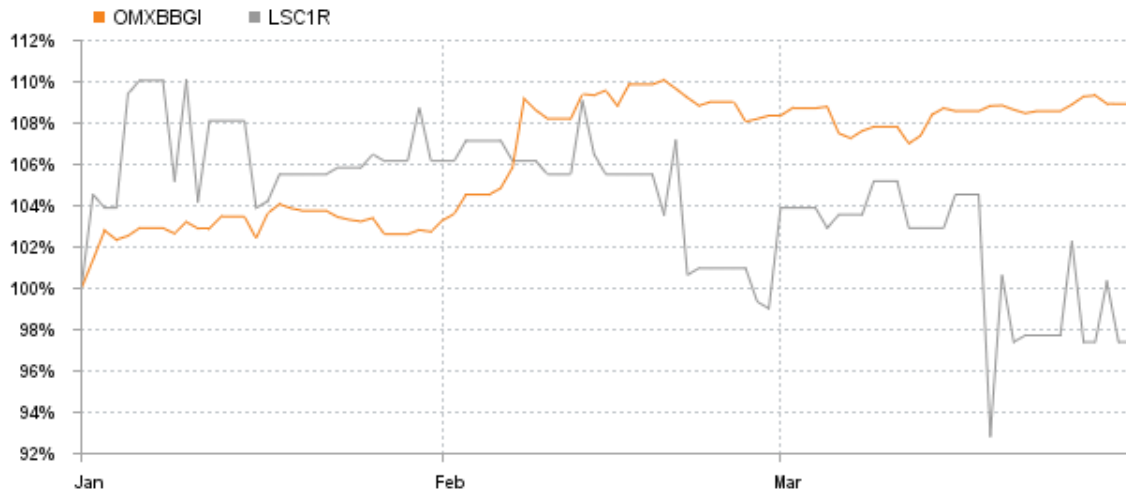
Christopher James Kernon

Professional experience of the members of the Management Board

- Simon Richard Blaydes* Member of the Management Board of Latvian Shipping Company since June 2011. Previously from 2009 till 2010 CFO of the *Arawak Group* of companies. Before that he was a partner in the transaction support department of *Ernst & Young's* Energy practices in Beijing, London and Kazakhstan. He is a chartered accountant and an associate of the ICAEW. He does not own *LSC* shares.
- Paul Thomas* Head of *Vitol Group's* World Wide Shipping, employed by *Vitol Group* since 1988, director of the shipping company *Finaval Spa* since 2007, member of the Management Board of Latvian Shipping Company since July 2010. He does not own *LSC* shares.
- Michael Main King* Head of *Vitol Group's* World Wide Shipping Operations since 2004, prior to that General Manager Tankers at Ship owners *Zodiac Maritime London* for 8 years. He does not own *LSC* shares.
- Christopher James Kernon* With more than 20 years experience in the shipping industry. Previously C.Kernon was responsible for shipping and chartering in Asia and Australia for *Vitol Group*. Last seven years he is responsible for projects and shipping timecharters at *Vitol Group*. He does not own *LSC* shares.

Review of the shares

Information on share price/index dynamics for the period from 01.01.2012 till 31.03.2012



Index/Equity	01.01.2012	31.03.2012	+/-%
—OMX Baltic Benchmark GI	431.94	470.51	8.93
—LSC1R	0.31 LVL	0.30 LVL	-2.60

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
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history

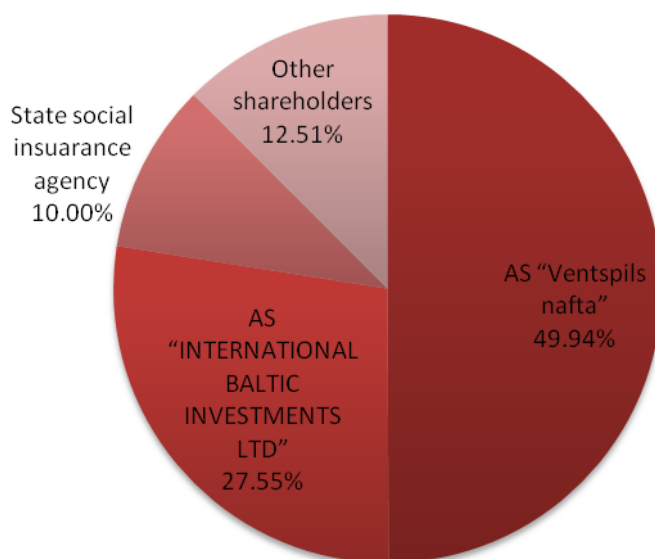
Price	2008	2009	2010	2011	Q1 2012
Open	1.300	0.660	0.410	0.370	0.312
High	1.370	0.690	0.520	0.460	0.346
Low	0.560	0.360	0.340	0.301	0.286
Last	0.660	0.400	0.379	0.308	0.300
Traded volume	8,277,028	3,961,245	5,058,251	13,526,230	289,900
Turnover, million	8.62	1.91	2.03	5.85	0.09
Capitalisation, million	132.00	80.00	75.80	61.60	60.00

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Company's shareholders (over 5%) as of 31.03.2012

Name	Description	Ownership interest
AS "Ventspils nafta"	Listed company	49.94%
AS "INTERNATIONAL BALTIC INVESTMENTS LTD"	Private company	27.55%
State social insurance agency	Government institution	10.00%

Company's shareholders structure as of 31.03.2012



Management report

Dear shareholders and stakeholders,

Latvian Shipping Company (hereafter – LSC) and its subsidiaries (hereafter – LSC Group or Group) financial result for Q1/2012 is a net loss of USD17.77 million. The net loss for the same period in the previous year was USD3.15 million.

The largest portion of the net loss – USD15.75 million relates to the impairment of the fleet recognised in Q1/2012. The decrease in the value of the fleet reflects the difficulties that all ship-owners continue to experience in the current financial environment. The re-valuation was based on the recoverable value of the fleet and complied with the requirements of the International Accounting Standards.

There were no changes in the LSC Group's fleet during Q1/2012 and at end March 2012 the fleet under the commercial management of LSC consisted of 20 tankers, 19 of which are owned by the LSC Group, with 1 vessel chartered pursuant to a sale and leaseback deal.

During Q1/2012 to support LSC Group, LSC's largest shareholder AS Ventspils nafta (hereafter - VN), has agreed to issue two loans to LSC Group in the amount of 5 million EUR and 19.557 million USD on the same terms as LSC Group ship financing banking syndicate. Respecting this shareholder contribution, the banking syndicate has once more agreed to waive breaches of covenants until end 2012. In addition LSC Group is progressing with discussions with the banking syndicate to extend the waivers until the end of 2013.

As a result of the above loan from VN and banking syndicates agreement to waive breaches of covenants LSC Group will hopefully avoid the need to sell any of its fleet at the current record low prices and will be better financially placed to continue to survive the financial challenges all ship-owners are facing. As a consequence of this loan and waiver agreement LSC Group has reclassified three vessels, held as assets for sale, back to the fleet.

In Q1/2012 the total net voyage result from shipping was USD21.58 million (Q1/2011 – USD22.27 million) and continues to show stabilization in income. The net voyage result is calculated by deducting voyage costs (bunkers, port and agency charges, etc.) from voyage income and shows the Group's income, irrespective of whether the fleet is employed in the spot or time charter market. Vessel operating profit in Q1/2012 was USD12.32 million, a 6% improvement on the previous year (Q1/2011 – USD11.60 million) and it was sufficient to cover the fleet financing expenses (USD4.39 million).

As promised LSC continues to release quarterly chartering rates achieved by the LSC Group's fleet:

Average LSC Group's Fleet net TCE USD/per day

Fleet	Y 2010	Fleet	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012
HS (7 vessels)	10 271	HS (7 vessels)	11 138	11 197	10 872	11 549	13 003
MR (10 vessels)	11 849	MR (12 vessels)	12 673	12 430	12 638	12 732	12 605
LR1 (1 vessel)	16 826	LR1 (1 vessel)	12 873	15 745	13 163	13 159	13 163

Explanations:

HS = handy size (37 dwt);

MR = medium range (52 dwt);

LR1 = long range (68 dwt).

Net TCE = TIME CHARTER EQUIVALANT earnings after deduction of commissions payable by LSC to shipbrokers(s)/charterers, port costs, bunker costs and any other applicable voyage related costs. The above figures reflect combined earnings of fleet for both timecharters and spot market trading.

At March 31, 2012 the total value of the LSC Group assets was USD630.74 million. The figure at December 31, 2011 was USD651.92 million. The decrease is mainly attributed to the impairment provisions as explained above. The total value of the LSC Group fleet has increased from USD509.97 million to USD549.01 million as result of reclassification of the assets which had previously been held for sale. The total equity value of the Group at March 31, 2012 was USD251.12 million (December 31, 2011 – USD267.84 million).

During Q1/2012 the price of LSC shares quoted on the NASDAQ OMX Riga decreased by 2.60%. The OMX Baltic Benchmark GI index in the same period increased by 8.93%. There were 233 trades with Latvian Shipping Company's shares during the reporting period involving 289 900 shares worth LVL92 736. On March 31, 2012 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was LVL60 million.



Simon Richard Blaydes
 Chairman of the Management Board of
 Joint Stock Company Latvian Shipping Company
 Riga, 23 May 2012

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 31 March 2012, changes in shareholders' equity, cash flows and the results of the Group for the period ended of 31 March 2012.

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 judgments 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, 23 May 2012

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Consolidated income statement

for the period ended 31 March 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Voyage income	27 792	23 020	14 971	12 015	21 302	17 096
Income from other services	233	224	124	114	176	162
Revenue	28 025	23 244	15 095	12 129	21 478	17 258
Voyage costs	(6 210)	(754)	(3 290)	(340)	(4 681)	(484)
Cost of sales	(16 270)	(18 017)	(8 624)	(9 184)	(12 271)	(13 067)
Gross profit	5 545	4 473	3 181	2 605	4 526	3 707
Selling costs	-	(2)	-	(1)	-	(1)
Administrative expenses	(2 626)	(2 628)	(1 384)	(1 340)	(1 970)	(1 906)
Impairment of non-financial assets	(15 747)	-	(8 314)	-	(11 830)	-
Other operating income	1	239	-	131	-	187
Other operating expenses	(3)	(12)	(2)	(6)	(2)	(9)
Operating (loss)/profit	(12 830)	2 070	(6 519)	1 389	(9 276)	1 978
Finance income	11	83	6	50	9	71
Finance costs	(4 736)	(5 107)	(2 504)	(2 588)	(3 563)	(3 683)
Loss before tax	(17 555)	(2 954)	(9 017)	(1 149)	(12 830)	(1 634)
Income tax	(218)	(193)	(118)	(99)	(168)	(141)
Loss for the period	(17 773)	(3 147)	(9 135)	(1 248)	(12 998)	(1 775)
Attributable to:						
Equity holders of the parent	(17 768)	(3 139)	(9 132)	(1 243)	(12 994)	(1 768)
Non-controlling interests	(5)	(8)	(3)	(5)	(4)	(7)
	(17 773)	(3 147)	(9 135)	(1 248)	(12 998)	(1 775)
Loss per share	US\$ (0.09)	US\$ (0.02)	LVL (0.05)	LVL (0.01)	EUR (0.06)	EUR (0.01)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Consolidated statement of comprehensive income

for the period ended 31 March 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Loss for the period	(17 773)	(3 147)	(9 135)	(1 248)	(12 998)	(1 775)
Other comprehensive income/ (expenses)						
Exchange differences on translation of foreign operations	997	638	(4 051)	(10 396)	(5 762)	(14 792)
Net movement on cash flow hedges	58	685	74	493	105	701
Other comprehensive income/ (expenses) for the period, net of tax	1 055	1 323	(3 977)	(9 903)	(5 657)	(14 091)
Total comprehensive (loss) for the period, net of tax	(16 718)	(1 824)	(13 112)	(11 151)	(18 655)	(15 866)
Attributable to:						
Equity holders of the parent	(16 898)	(1 816)	(13 109)	(11 146)	(18 651)	(15 859)
Non-controlling interests	180	(8)	(3)	(5)	(4)	(7)
	(16 718)	(1 824)	(13 112)	(11 151)	(18 655)	(15 866)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Consolidated statement of financial position

as at 31 March 2012

	<u>31.03.2012</u> US \$'000	<u>31.12.2011</u> US \$'000	<u>31.03.2012</u> LVL'000	<u>31.12.2011</u> LVL'000	<u>31.03.2012</u> EUR'000	<u>31.12.2011</u> EUR'000
Assets						
Non-current assets						
Other intangible assets	208	237	110	129	157	184
Fleet	549 006	509 973	289 875	277 425	412 455	394 740
Other property, plant and equipment	3 732	3 669	1 970	1 996	2 803	2 840
Investment properties	1 911	1 861	1 009	1 013	1 436	1 441
Investments in associates	14	14	7	7	10	10
Other non-current financial assets	<u>7 909</u>	<u>7 857</u>	<u>4 176</u>	<u>4 274</u>	<u>5 942</u>	<u>6 081</u>
Total non-current assets	562 780	523 611	297 147	284 844	422 803	405 296
Current assets						
Inventories	5 098	3 804	2 692	2 069	3 830	2 944
Trade and other receivables	8 258	7 208	4 360	3 921	6 204	5 579
Prepayments	2 288	1 317	1 208	717	1 719	1 020
Other current financial assets	30 251	29 595	15 973	16 100	22 728	22 908
Cash and short term deposits	<u>22 065</u>	<u>26 983</u>	<u>11 650</u>	<u>14 679</u>	<u>16 576</u>	<u>20 886</u>
Total current assets	67 960	68 907	35 883	37 486	51 057	53 337
Assets classified as held for sale	<u>-</u>	<u>59 400</u>	<u>-</u>	<u>32 314</u>	<u>-</u>	<u>45 979</u>
Total assets	<u>630 740</u>	<u>651 918</u>	<u>333 030</u>	<u>354 644</u>	<u>473 860</u>	<u>504 612</u>

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Consolidated statement of financial position (continued)

as at 31 March 2012

	<u>31.03.2012</u> <u>US \$'000</u>	<u>31.12.2011</u> <u>US \$'000</u>	<u>31.03.2012</u> <u>LVL'000</u>	<u>31.12.2011</u> <u>LVL'000</u>	<u>31.03.2012</u> <u>EUR'000</u>	<u>31.12.2011</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	(102 490)	(84 722)	(55 171)	(46 039)	(78 584)	(65 590)
Other components of equity	(15 006)	(15 876)	(15 562)	(11 585)	(22 058)	(16 401)
Equity attributable to equity holders of the parent	244 823	261 721	129 267	142 376	183 932	202 583
Non-controlling interests	6 294	6 114	3 323	3 326	4 728	4 732
Total equity	251 117	267 835	132 590	145 702	188 660	207 315
Non-current liabilities						
Interest bearing loans	289 402	297 204	152 804	161 678	217 421	230 047
Finance lease	25 502	25 775	13 465	14 021	19 159	19 950
Other financial liabilities	1 014	919	535	500	761	711
Trade and other payables	8 678	1 942	4 582	1 056	6 520	1 503
Deferred tax liability	140	136	74	74	105	105
Total non-current liabilities	324 736	325 976	171 460	177 329	243 966	252 316
Current liabilities						
Trade and other payables	15 863	13 635	8 376	7 419	11 918	10 556
Interest bearing loans	31 151	31 180	16 448	16 962	23 403	24 135
Finance lease	1 233	1 262	651	687	926	978
Other financial liabilities	1 618	1 769	854	963	1 215	1 370
Deferred revenue	5 022	10 261	2 651	5 582	3 772	7 942
Total current liabilities	54 887	58 107	28 980	31 613	41 234	44 981
Total equity and liabilities	630 740	651 918	333 030	354 644	473 860	504 612

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Consolidated statement of changes in equity

for the year ended 31 March 2012

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Issued capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000		
At 31 December 2010	362 319	(36 483)	(4 208)	(13 586)	308 042	5 882	313 924
Loss for the period	-	(3 139)	-	-	(3 139)	(8)	(3 147)
Other comprehensive income	-	-	685	638	1 323	-	1 323
Total comprehensive income/(expenses)	-	(3 139)	685	638	(1 816)	(8)	(1 824)
At 31 March 2011	362 319	(39 622)	(3 523)	(12 948)	306 226	5 874	312 100
Loss for the period	-	(45 100)	-	-	(45 100)	(26)	(45 126)
Other comprehensive income	-	-	834	(239)	595	266	861
Total comprehensive income/(expenses)	-	(45 100)	834	(239)	(44 505)	240	(44 265)
At 31 December 2011	362 319	(84 722)	(2 689)	(13 187)	261 721	6 114	267 835
Loss for the period	-	(17 768)	-	-	(17 768)	(5)	(17 773)
Other comprehensive income/(expenses)	-	-	58	812	870	185	1 055
Total comprehensive income/(expenses)	-	(17 768)	58	812	(16 898)	180	(16 718)
At 31 March 2012	362 319	(102 490)	(2 631)	(12 375)	244 823	6 294	251 117

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012

Consolidated statement of changes in equity (continued)

for the year ended 31 March 2012

	Attributable to the equity holders of the parent					Non- controlling interests	Total equity
	Issued capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000		
At 31 December 2010	200 000	(21 963)	(2 251)	(10 071)	165 715	3 344	169 059
Loss for the period	-	(1 243)	-	-	(1 243)	(5)	(1 248)
Other comprehensive income	-	-	493	(10 396)	(9 903)	-	(9 903)
Total comprehensive income/(expenses)	-	(1 243)	493	(10 396)	(11 146)	(5)	(11 151)
At 31 March 2011	200 000	(23 206)	(1 758)	(20 467)	154 569	3 339	157 908
Loss for the period	-	(22 833)	-	-	(22 833)	(13)	(22 846)
Other comprehensive income	-	-	295	10 345	10 640	-	10 640
Total comprehensive income/(expenses)	-	(22 833)	295	10 345	(12 193)	(13)	(12 206)
At 31 December 2011	200 000	(46 039)	(1 463)	(10 122)	142 376	3 326	145 702
Loss for the period	-	(9 132)	-	-	(9 132)	(3)	(9 135)
Other comprehensive income/(expenses)	-	-	74	(4 051)	(3 977)	-	(3 977)
Total comprehensive income/(expenses)	-	(9 132)	74	(4 051)	(13 109)	(3)	(13 112)
At 31 March 2012	200 000	(55 171)	(1 389)	(14 173)	129 267	3 323	132 590

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Consolidated statement of changes in equity *(continued)*

for the year ended 31 March 2012

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Issued capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000		
At 31 December 2010	284 574	(31 333)	(3 203)	(14 248)	235 790	4 758	240 548
Loss for the period	-	(1 768)	-	-	(1 768)	(7)	(1 775)
Other comprehensive income	-	-	701	(14 792)	(14 091)	-	(14 091)
Total comprehensive income/(expenses)	-	(1 768)	701	(14 792)	(15 859)	(7)	(15 866)
At 31 March 2011	284 574	(33 101)	(2 502)	(29 040)	219 931	4 751	224 682
Loss for the period	-	(32 489)	-	-	(32 489)	(19)	(32 508)
Other comprehensive income	-	-	421	14 720	15 141	-	15 141
Total comprehensive income/(expenses)	-	(32 489)	421	14 720	(17 348)	(19)	(17 367)
At 31 December 2011	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315
Loss for the period	-	(12 994)	-	-	(12 994)	(4)	(12 998)
Other comprehensive income/(expenses)	-	-	105	(5 762)	(5 657)	-	(5 657)
Total comprehensive income/(expenses)	-	(12 994)	105	(5 762)	(18 651)	(4)	(18 655)
At 31 March 2012	284 574	(78 584)	(1 976)	(20 082)	183 932	4 728	188 660

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Consolidated statement of cash flows

for the year ended 31 March 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Operating activities						
Loss before taxation	(17 555)	(2 954)	(9 017)	(1 149)	(12 830)	(1 634)
<u>Adjustments for:</u>						
Depreciation and amortisation	6 363	6 701	3 362	3 395	4 783	4 831
Result on disposal of non-financial assets	(1)	(163)	-	(92)	-	(131)
Impairment of non-financial assets	15 747	-	8 314	-	11 830	-
Other adjustments	4 083	5 184	1 640	982	2 333	1 398
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	(2 073)	1 660	(1 112)	856	(1 582)	1 218
Changes in inventories	(1 294)	(413)	(694)	(213)	(987)	(303)
Changes in trade and other payables	(3 011)	(7 525)	(1 615)	(3 878)	(2 298)	(5 518)
Net cash flows from/(used in) operating activities	2 259	2 490	878	(99)	1 249	(139)
Net cash flows used in investing activities	(843)	1 462	(452)	754	(643)	1 071
Cash flows before financing activities	1 416	3 952	426	655	606	932
Net cash flows from financing activities	(6 334)	(12 923)	(3 455)	(6 660)	(4 916)	(9 476)
Net decrease in cash and cash equivalents	(4 918)	(8 971)	(3 029)	(6 005)	(4 310)	(8 544)
Cash and cash equivalents at 1 January	26 983	42 471	14 679	22 722	20 886	32 330
Cash and cash equivalents at 31 March	22 065	33 500	11 650	16 717	16 576	23 786

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 2011, 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 31.03.2012 USD/LVL - 0.528 (average – 0.536478)

LB rate of exchange as at 31.03.2011 USD/LVL - 0.499 (average – 0.515393)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.03.2012: 1 EUR = 0.702804 LVL, 31.03.2011: 1 EUR = 0.702804 LVL.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Notes to the unaudited condensed consolidated financial statements (continued)

2. Shipping segment information

for the year ended 31 March 2012

	2012	2011	2012	2011	2012	2011
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Time charter hire	17 135	22 763	9 296	11 908	13 228	16 944
Spot hire	10 657	257	5 675	107	8 074	152
Voyage income from external customers	27 792	23 020	14 971	12 015	21 302	17 096
Voyage costs	(6 210)	(754)	(3 290)	(340)	(4 681)	(484)
Net voyage result	21 582	22 266	11 681	11 675	16 621	16 612
Vessel operating costs	(9 262)	(10 668)	(4 921)	(5 461)	(7 001)	(7 770)
Other revenue	233	224	124	114	176	162
Cost of sales (Vessel operating costs excluding)	(793)	(831)	(419)	(420)	(597)	(597)
Selling costs	-	(2)	-	(1)	-	(1)
Administrative expenses	(2 439)	(2 381)	(1 285)	(1 216)	(1 830)	(1 729)
Result from disposal of non-financial assets	1	163	-	92	-	131
Depreciation and amortisation	(6 363)	(6 701)	(3 362)	(3 395)	(4 783)	(4 831)
Impairment of non-financial assets	(15 747)	-	(8 314)	-	(11 830)	-
Other operating income	-	76	-	39	-	56
Other operating expenses	(3)	(12)	(2)	(6)	(2)	(9)
Result before financial items	(12 791)	2 134	(6 498)	1 421	(9 246)	2 024
Interest income	11	30	6	15	9	22
Interest expenses	(4 387)	(5 107)	(2 319)	(2 588)	(3 300)	(3 683)
Finance income, net	(346)	24	(183)	20	(261)	28
Net result before taxes	(17 513)	(2 919)	(8 994)	(1 132)	(12 798)	(1 609)
Segment assets	594 356	625 618	313 819	312 183	446 524	444 197
Including additions to non-current assets	1 485	436	797	225	1 134	320

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Notes to the unaudited condensed financial statements (continued)

2. Shipping segment information (continued)

for the year ended 31 March 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Net result before taxes for reportable segments	(17 513)	(2 919)	(8 994)	(1 132)	(12 798)	(1 609)
Administrative expenses	(39)	(64)	(21)	(32)	(30)	(46)
Finance income	-	29	-	15	-	21
Finance expenses	(3)	-	(2)	-	(2)	-
Loss before tax	(17 555)	(2 954)	(9 017)	(1 149)	(12 830)	(1 634)
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2012
Segment assets for reportable segments	594 356	625 618	313 819	312 183	446 524	444 197
Unallocated:						
Investment properties	1 911	3 358	1 009	1 675	1 436	2 384
Other assets of subsidiaries not included in segment	4 222	4 810	2 229	2 400	3 172	3 415
Financial assets at fair value through profit or loss	-	1 487	-	742	-	1 056
Available – for – sale financial asset	30 251	28 681	15 973	16 456	22 728	23 415
Total assets	630 740	663 954	333 030	333 456	473 860	474 467

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

Contact person with respect to information presented in these financial statements

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