

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

Unaudited Condensed Interim Consolidated Financial Statements

**for the six month period ended
30 June 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:

Christophe Theophanis Matsacos

Rubil Yilmaz

Vladimir Egger

Javed Ahmed

Mark Morell Ware

Jaakko Sakari Mikael Salmelin

Ivars Girgensons

Mārtiņš Kvēps

Oļegs Stepanovs

Serguei Choutov

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> . 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

Paul Thomas

Michael Main King

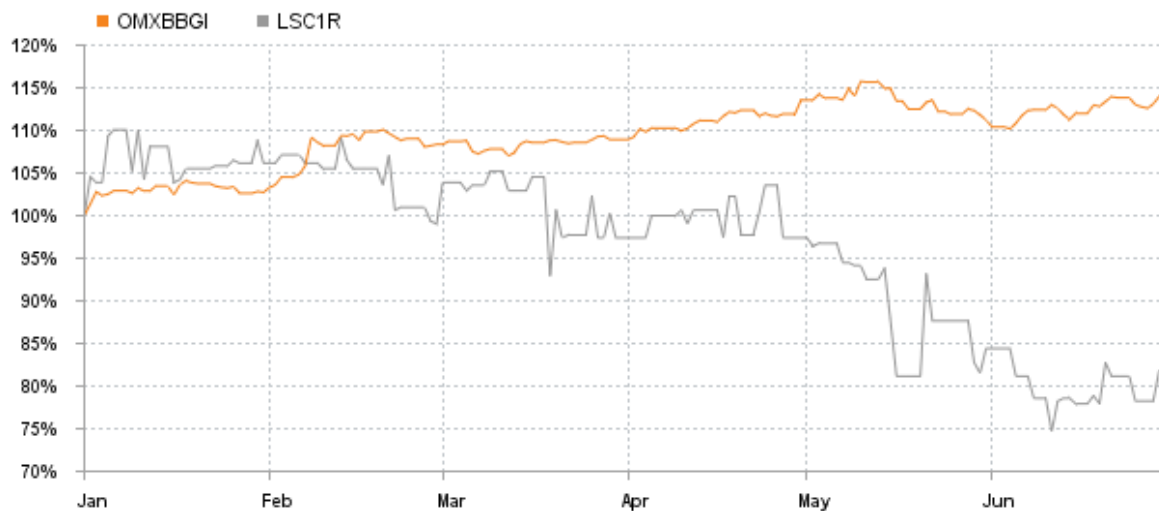
Christopher James Kernon

Professional experience of the members of the Management Board

- Simon Richard Blaydes* Member of the Management Board of Latvian Shipping Company since 1 June 2011, Chairman of the Management Board since 15 November 2011. Previously from 2009 till 2010 CFO of the Arawak Group of companies. Before that he was a partner in the transaction support departments of Ernst & Young's Energy practices in Beijing, London and Kazakhstan. Mr. Simon Blaydes is a chartered accountant and an associate of the ICAEW who trained with Price Waterhouse (now PwC) working for them in the UK and Russia. 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 30.06.2012



Index/Equity	01.01.2012	30.06.2012	+/-%
OMX Baltic Benchmark GI	431.94	492.43	14.00
LSC1R	0.31 LVL	0.25 LVL	-18.18

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, LVL

Price	2008	2009	2010	2011	H1 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	0.203
Last	0.660	0.400	0.379	0.308	0.252
Traded volume	8,277,028	3,961,245	5,058,251	13,526,230	532,169
Turnover, million	8.62	1.91	2.03	5.85	0.15
Capitalisation, million	132.00	80.00	75.80	61.60	50.40

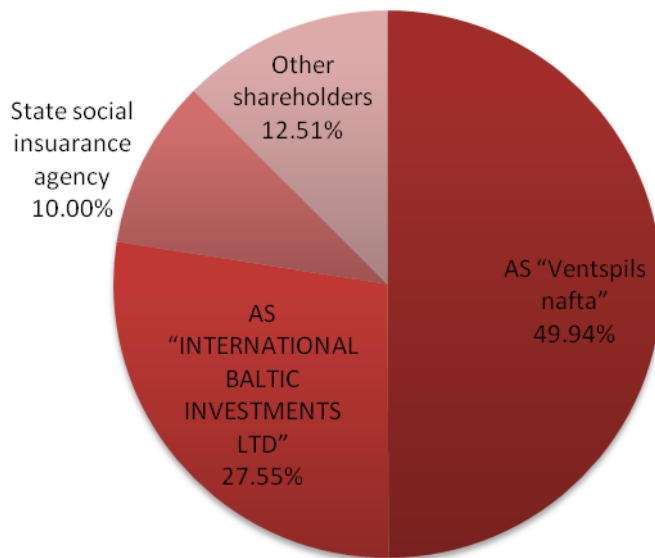
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Company's shareholders (over 5%) as of 30.06.2012

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

Company's shareholder structure as of 30.06.2012



Management report

Dear shareholders and stakeholders,

Latvian Shipping Company (hereafter – LSC) and its subsidiaries (hereafter –LSC Group or Group) financial result for first half 2012 is a net loss of USD29.20 million. The net loss for the same reporting period in 2011 was USD8.77 million.

The largest portion of the net loss – USD24.75 million relates to the impairment of the fleet. A decrease in the value of the fleet in the amount of USD15.75million was recognised in Q1/2012 followed by a further decrease of USD9 million in Q2/2012. The impairments were calculated using the higher of a vessel’s fair value less costs to sell, or its value in use, which fully complies with International Financial Reporting Standards. In order to determine the fair value of the LSC Group’s fleet, valuations of the vessels are carried out by independent international shipping experts. The impairments are non cash items so do not affect the cash position of the Group. The LSC Group cash position at the end of June 2012 was USD33.36 million.

There were no changes in the LSC Group’s fleet during H1/2012 and at the end of June 2012 the fleet under the commercial management of LSC consisted of 20 tankers, 19 of which are owned by the LSC Group, with one vessel chartered pursuant to a sale and leaseback deal.

During H1/2012 to support LSC Group, LSC’s largest shareholder JSC Ventspils nafta, issued two loans to LSC Group in the amount of EUR5 million and USD19.557 million on the same terms as LSC Group ship financing banking syndicate. Respecting this significant 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.

Whilst the worldwide shipping market remains very challenging with shipowners continuing to face record low chartering rates, LSC Group is cushioned from some of the markets extremes by a more constant and stable cash flow from time charter agreements. At the end of the reporting period 80% of the LSC Group’s fleet was employed in period business with the average remaining time charter period being 13.6 months. During H1/2012 a part of the fleet also performed spot voyages and this explains the considerable increase in voyage costs H1/2012 (USD13.69 million) as compared with H1/2011 (USD1.77 million).

In H1/2012 the net voyage result from shipping was USD42.15 million (H1/2011 – USD44.40 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 H1/2012 was USD10.51 million, a 27% improvement on the previous year (H1/2011 – USD8.24 million) and it was sufficient to fully cover the fleet financing expenses (USD8.70 million).

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

Average LSC Group’s Fleet net TCE (time charter equivalent) USD/per day

Fleet	Y 2010	Y 2011	1Q 2012	2Q 2012
HS (7 vessels)	10 271	11 216	13 003	12 131
MR (10 vessels)	11 849	12 882	12 605	12 419
LR1 (1 vessel)	16 826	13 623	13 163	11 782

Explanations:

HS = handy size (37 dwt);

MR = medium range (52 dwt);

LR1 = long range (68 dwt).

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

At June 30, 2012 the total value of the LSC Group assets was USD625.69 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 USD534.43 million as result of the reclassification of the vessels which had previously been classified as held for sale. The total equity value of the Group at June 30, 2012 was USD237.65 million (December 31, 2011 – USD267.84 million).

During H1/2012 the price of LSC shares quoted on the NASDAQ OMX Riga decreased by 18.18%. The OMX Baltic Benchmark GI index in the same period increased by 14.00%. There were 446 trades with Latvian Shipping Company’s shares during the reporting period involving 532 169 shares worth LVL153 165. On June 30, 2012 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was LVL50.40 million.

Management report (continued)

The general economic climate, especially within the EU and USA, continues to negatively impact on shipping. Future worldwide economic growth will be a key driver in determining when shipowners are able to return to profitability. In the meantime the current economic environment continues to present significant challenges for the LSC Group although the product tanker market segment has recently been the least affected of all the tanker market segments. The strategy of the Group in the current climate will be to continue to ensure a constant guaranteed cash flow by concentrating on period business when economically viable and focusing on administrative efficiencies.



Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 17 August 2012

Statement of Management's Responsibilities

The Management Board of JSC "Latvian Shipping Company" prepares condensed interim consolidated financial statements for each reporting period. These condensed interim consolidated financial statements 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 June 2012, changes in shareholders' equity, cash flows and the results of the Group for the six month period ended 30 June 2012.

The aforementioned financial statements are prepared in accordance with the International Accounting Standards on interim financial statements 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 the International Accounting Standards on interim financial statements 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, 17 August 2012

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated income statement

for the period ended 30 June 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Voyage income	55 840	46 175	30 301	23 321	43 114	33 183
Income from other services	503	434	270	215	384	306
Revenue	56 343	46 609	30 571	23 536	43 498	33 489
Voyage costs	(13 689)	(1 773)	(7 450)	(835)	(10 600)	(1 189)
Cost of sales	(33 174)	(37 814)	(17 934)	(18 809)	(25 518)	(26 762)
Gross profit	9 480	7 022	5 187	3 892	7 380	5 538
Selling costs	-	(4)	-	(2)	-	(3)
Administrative expenses	(5 113)	(5 659)	(2 757)	(2 819)	(3 922)	(4 011)
Impairment of non-financial assets	(24 748)	-	(13 373)	-	(19 028)	-
Other operating income	151	225	84	124	120	177
Other operating expenses	(1)	(4)	(1)	(2)	(1)	(3)
Operating (loss)/profit	(20 231)	1 580	(10 860)	1 193	(15 451)	1 698
Finance income	363	268	213	113	302	160
Finance costs	(8 902)	(10 222)	(4 813)	(5 064)	(6 848)	(7 206)
Loss before tax	(28 770)	(8 374)	(15 460)	(3 758)	(21 997)	(5 348)
Income tax	(434)	(397)	(235)	(197)	(334)	(280)
Loss for the period	(29 204)	(8 771)	(15 695)	(3 955)	(22 331)	(5 628)
Attributable to:						
Equity holders of the parent	(29 190)	(8 754)	(15 687)	(3 946)	(22 320)	(5 615)
Non-controlling interests	(14)	(17)	(8)	(9)	(11)	(13)
	(29 204)	(8 771)	(15 695)	(3 955)	(22 331)	(5 628)
Loss per share	US\$ (0.15)	US\$ (0.04)	LVL (0.08)	LVL (0.02)	EUR (0.11)	EUR (0.03)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated statement of comprehensive income

for the period ended 30 June 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Loss for the period	<u>(29 204)</u>	<u>(8 771)</u>	<u>(15 695)</u>	<u>(3 955)</u>	<u>(22 331)</u>	<u>(5 628)</u>
Other comprehensive income/ (expenses)						
Exchange differences on translation of foreign operations	(1 103)	4 115	3 532	(14 032)	5 026	(19 965)
Net movement on cash flow hedges	<u>121</u>	<u>1 197</u>	<u>20</u>	<u>779</u>	<u>27</u>	<u>1 108</u>
Other comprehensive income/ (expenses) for the period, net of tax	<u>(982)</u>	<u>5 312</u>	<u>3 552</u>	<u>(13 253)</u>	<u>5 053</u>	<u>(18 857)</u>
Total comprehensive (loss) for the period, net of tax	<u>(30 186)</u>	<u>(3 459)</u>	<u>(12 143)</u>	<u>(17 208)</u>	<u>(17 278)</u>	<u>(24 485)</u>
Attributable to:						
Equity holders of the parent	(29 976)	(4 397)	(12 135)	(17 199)	(17 267)	(24 472)
Non-controlling interests	<u>(210)</u>	<u>938</u>	<u>(8)</u>	<u>(9)</u>	<u>(11)</u>	<u>(13)</u>
	<u>(30 186)</u>	<u>(3 459)</u>	<u>(12 143)</u>	<u>(17 208)</u>	<u>(17 278)</u>	<u>(24 485)</u>

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated statement of financial position

as at 30 June 2012

	30.06.2012 US \$'000	31.12.2011 US \$'000	30.06.2012 LVL'000	31.12.2011 LVL'000	30.06.2012 EUR'000	31.12.2011 EUR'000
Assets						
Non-current assets						
Other intangible assets	143	237	81	129	115	184
Fleet	534 428	509 973	300 349	277 425	427 358	394 740
Other property, plant and equipment	3 458	3 669	1 944	1 996	2 766	2 840
Investment properties	1 789	1 861	1 006	1 013	1 431	1 441
Investments in associates	13	14	7	7	10	10
Other non-current financial assets	6 918	7 857	3 888	4 274	5 532	6 081
Total non-current assets	546 749	523 611	307 275	284 844	437 212	405 296
Current assets						
Inventories	4 540	3 804	2 551	2 069	3 630	2 944
Trade and other receivables	9 271	7 208	5 210	3 921	7 413	5 579
Prepayments	2 866	1 317	1 611	717	2 292	1 020
Other current financial assets	28 902	29 595	16 243	16 100	23 112	22 908
Cash and short term deposits	33 364	26 983	18 751	14 679	26 680	20 886
Total current assets	78 943	68 907	44 366	37 486	63 127	53 337
Assets classified as held for sale	-	59 400	-	32 314	-	45 979
Total assets	625 692	651 918	351 641	354 644	500 339	504 612

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated statement of financial position (continued)

as at 30 June 2012

	<u>30.06.2012</u> <u>US \$'000</u>	<u>31.12.2011</u> <u>US \$'000</u>	<u>30.06.2012</u> <u>LVL'000</u>	<u>31.12.2011</u> <u>LVL'000</u>	<u>30.06.2012</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	(113 912)	(84 722)	(61 726)	(46 039)	(87 910)	(65 590)
Other components of equity	(16 662)	(15 876)	(8 033)	(11 585)	(11 348)	(16 401)
Equity attributable to equity holders of the parent	231 745	261 721	130 241	142 376	185 316	202 583
Non-controlling interests	5 904	6 114	3 318	3 326	4 721	4 732
Total equity	237 649	267 835	133 559	145 702	190 037	207 315
Non-current liabilities						
Interest bearing loans	281 730	297 204	158 332	161 678	225 286	230 047
Finance lease	25 143	25 775	14 130	14 021	20 105	19 950
Other financial liabilities	1 180	919	663	500	943	711
Trade and other payables	27 850	1 942	15 652	1 056	22 271	1 503
Deferred tax liability	131	136	74	74	105	105
Total non-current liabilities	336 034	325 976	188 851	177 329	268 710	252 316
Current liabilities						
Trade and other payables	16 039	13 635	9 016	7 419	12 828	10 556
Interest bearing loans	30 921	31 180	17 378	16 962	24 727	24 135
Finance lease	1 296	1 262	728	687	1 036	978
Other financial liabilities	1 388	1 769	780	963	1 110	1 370
Deferred revenue	2 365	10 261	1 329	5 582	1 891	7 942
Total current liabilities	52 009	58 107	29 231	31 613	41 592	44 981
Total equity and liabilities	625 692	651 918	351 641	354 644	500 339	504 612

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated statement of changes in equity

for the period ended 30 June 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	-	(8 754)	-	-	(8 754)	(17)	(8 771)
Other comprehensive income	-	-	1 197	3 160	4 357	955	5 312
Total comprehensive income/(expenses)	-	(8 754)	1 197	3 160	(4 397)	938	(3 459)
At 30 June 2011	362 319	(45 237)	(3 011)	(10 426)	303 645	6 820	310 465
Loss for the period	-	(39 485)	-	-	(39 485)	(17)	(39 502)
Other comprehensive income/(expenses)	-	-	322	(2 761)	(2 439)	(689)	(3 128)
Total comprehensive income/(expenses)	-	(39 485)	322	(2 761)	(41 924)	(706)	(42 630)
At 31 December 2011	362 319	(84 722)	(2 689)	(13 187)	261 721	6 114	267 835
Loss for the period	-	(29 190)	-	-	(29 190)	(14)	(29 204)
Other comprehensive income/(expenses)	-	-	121	(907)	(786)	(196)	(982)
Total comprehensive income/(expenses)	-	(29 190)	121	(907)	(29 976)	(210)	(30 186)
At 30 June 2012	362 319	(113 912)	(2 568)	(14 094)	231 745	5 904	237 649

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

Interim consolidated statement of changes in equity (continued)

for the period ended 30 June 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	-	(3 946)	-	-	(3 946)	(9)	(3 955)
Other comprehensive income	-	-	779	(14 032)	(13 253)	-	(13 253)
Total comprehensive income/(expenses)	-	(3 946)	779	(14 032)	(17 199)	(9)	(17 208)
At 30 June 2011	200 000	(25 909)	(1 472)	(24 103)	148 516	3 335	151 851
Loss for the period	-	(20 130)	-	-	(20 130)	(9)	(20 139)
Other comprehensive income/(expenses)	-	-	9	13 981	13 990	-	13 990
Total comprehensive income/(expenses)	-	(20 130)	9	13 981	(6 140)	(9)	(6 149)
At 31 December 2011	200 000	(46 039)	(1 463)	(10 122)	142 376	3 326	145 702
Loss for the period	-	(15 687)	-	-	(15 687)	(8)	(15 695)
Other comprehensive income	-	-	20	3 532	3 552	-	3 552
Total comprehensive income/(expenses)	-	(15 687)	20	3 532	(12 135)	(8)	(12 143)
At 30 June 2012	200 000	(61 726)	(1 443)	(6 590)	130 241	3 318	133 559

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Interim consolidated statement of changes in equity (continued)

for the period ended 30 June 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	-	(5 615)	-	-	(5 615)	(13)	(5 628)
Other comprehensive income/(expenses)	-	-	1 108	(19 965)	(18 857)	-	(18 857)
Total comprehensive income/(expenses)	-	(5 615)	1 108	(19 965)	(24 472)	(13)	(24 485)
At 30 June 2011	284 574	(36 948)	(2 095)	(34 213)	211 318	4 745	216 063
Loss for the period	-	(28 642)	-	-	(28 642)	(13)	(28 655)
Other comprehensive income	-	-	14	19 893	19 907	-	19 907
Total comprehensive income/(expenses)	-	(28 642)	14	19 893	(8 735)	(13)	(8 748)
At 31 December 2011	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315
Loss for the period	-	(22 320)	-	-	(22 320)	(11)	(22 331)
Other comprehensive income	-	-	27	5 026	5 053	-	5 053
Total comprehensive income/(expenses)	-	(22 320)	27	5 026	(17 267)	(11)	(17 278)
At 30 June 2012	284 574	(87 910)	(2 054)	(9 294)	185 316	4 721	190 037

Interim consolidated statement of cash flows

for the period ended 30 June 2012

	2012 US \$'000	2011 US \$'000	2012 LVL'000	2011 LVL'000	2012 EUR'000	2011 EUR'000
Operating activities						
Loss before taxation	(28 770)	(8 374)	(15 460)	(3 758)	(21 997)	(5 348)
<u>Adjustments for:</u>						
Depreciation and amortisation	13 717	13 293	7 421	6 590	10 560	9 377
Result on disposal of non-financial assets	-	(139)	-	(80)	-	(114)
Impairment of non-financial assets	24 748	-	13 373	-	19 028	-
Other adjustments	8 119	8 693	4 931	2 237	7 014	3 183
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	(2 673)	357	(1 448)	179	(2 060)	255
Changes in inventories	(736)	(569)	(399)	(285)	(568)	(406)
Changes in trade and other payables	(5 453)	(6 535)	(2 953)	(3 280)	(4 202)	(4 667)
Net cash flows from operating activities	8 952	6 726	5 465	1 603	7 775	2 280
Net cash flows used in investing activities	(3 109)	(19 524)	(1 684)	(9 797)	(2 396)	(13 939)
Cash flows before financing activities	5 843	(12 798)	3 781	(8 194)	5 379	(11 659)
Net cash flows from/(used in) financing activities	538	(1 486)	291	(745)	415	(1 060)
Net Increase/(decrease) in cash and cash equivalents	6 381	(14 284)	4 072	(8 939)	5 794	(12 719)
Cash and cash equivalents at 1 January	26 983	42 471	14 679	22 722	20 886	32 330
Cash and cash equivalents at 30 June	33 364	28 817	18 751	13 783	26 680	19 611

Notes to the unaudited condensed interim 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 the International Financial Reporting Standards.

These 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 30.06.2012 USD/LVL - 0.562 (average – 0.541623)

LB rate of exchange as at 30.06.2011 USD/LVL - 0.489 (average – 0.501808)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.06.2012: 1 EUR = 0.702804 LVL, 30.06.2011: 1 EUR = 0.702804 LVL due to requirements of JSC „NASDAQ OMX Riga”.

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Notes to the unaudited condensed interim consolidated financial statements (continued)

2. Shipping segment information

for the period ended 30 June 2012

	2012	2011	2012	2011	2012	2011
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Time charter hire	33 328	44 928	18 083	22 736	25 730	32 351
Spot hire	22 512	1 247	12 218	585	17 384	832
Voyage income from external customers	55 840	46 175	30 301	23 321	43 114	33 183
Voyage costs	(13 689)	(1 773)	(7 450)	(835)	(10 600)	(1 189)
Net voyage result	42 151	44 402	22 851	22 486	32 514	31 994
Vessel operating costs	(18 251)	(23 290)	(9 863)	(11 607)	(14 033)	(16 515)
Other revenue	503	434	270	215	384	306
Cost of sales (Vessel operating costs excluding)	(1 486)	(1 600)	(802)	(795)	(1 141)	(1 131)
Selling costs	-	(4)	-	(2)	-	(3)
Administrative expenses	(4 759)	(5 160)	(2 565)	(2 572)	(3 650)	(3 660)
Result from disposal of non-financial assets	-	139	-	80	-	114
Depreciation and amortisation	(13 716)	(13 292)	(7 421)	(6 590)	(10 559)	(9 377)
Impairment of non-financial assets	(24 748)	-	(13 373)	-	(19 028)	-
Other operating income	151	86	84	44	120	63
Other operating expenses	(1)	(4)	(1)	(2)	(1)	(3)
Result before financial items	(20 156)	1 711	(10 820)	1 257	(15 394)	1 788
Interest income	15	47	8	23	12	33
Interest expenses	(8 740)	(10 067)	(4 724)	(4 989)	(6 723)	(7 099)
Finance income, net	209	27	130	(4)	184	(6)
Net result before taxes	(28 672)	(8 282)	(15 406)	(3 713)	(21 921)	(5 284)
Segment assets	590 820	637 786	332 042	311 879	472 452	443 762
Including additions to non-current assets	3 519	50 317	1 906	25 249	2 712	35 926

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

2. Shipping segment information (continued)

for the period ended 30 June 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	(28 672)	(8 282)	(15 406)	(3 713)	(21 921)	(5 284)
Administrative expenses	(75)	(131)	(40)	(64)	(57)	(91)
Finance income	-	40	-	19	-	27
Finance expenses	(23)	(1)	(14)	-	(19)	-
Loss before tax	(28 770)	(8 374)	(15 460)	(3 758)	(21 997)	(5 348)
	30.06.2012	30.06.2011	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Segment assets for reportable segments	590 820	637 786	332 042	311 879	472 452	443 762
Unallocated:						
Investment properties	1 789	3 419	1 006	1 672	1 431	2 379
Other assets of subsidiaries not included in segment	4 181	4 735	2 350	2 315	3 344	3 294
Available – for – sale financial assets	28 902	32 029	16 243	15 662	23 112	22 285
Total assets	625 692	677 969	351 641	331 528	500 339	471 720

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

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