

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

Unaudited Condensed Interim Consolidated Financial Statements

for the six month period ended 30 June 2013



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Supervisory Council

Chairman of the Council

Simon Boddy

Deputy Chairperson of the Council

Mikhail Dvorak

Members of the Council:

Christophe Theophanis Matsacos

Rubil Yilmaz

Vladimir Egger

Javed Ahmed

Mark Morrell Ware

Jaakko Sakari Mikael Salmelin

Ivars Girgensons

Mārtiņš Kvēps

Oļegs Stepanovs

Serguei Choutov

Professional experience of the members of the Supervisory Council

- Simon Boddy* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Simon Boddy holds the position of Chairman of the Supervisory Council of the JSC Latvian Shipping Company since 17 December 2010, as well as since 20 January 2010 he is Chairman of the JSC Ventspils nafta Management Board. He has been working in the petroleum industry for over 20 years. He has worked for energy companies Shell and BP. In 1989, Simon Boddy joined the Vitol Group of companies, where he was responsible for trade, refinement, supply and economic issues; from 2006 until 2008 he was Chief Representative of Vitol's Moscow office. He has been elected a member of the Vitol Tank Terminals International Management Board, he is also a licensed attorney in England. Professional education: Academic degree in mathematics from the University of Oxford, Postgraduate Diploma in Law from the College of Law of England and Wales in London. Simon Boddy does not own shares of JSC Latvian Shipping Company.
- Mikhail Dvorak* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Deputy Chairman of the JSC Ventspils nafta Supervisory Council since 20 January 2010. The Vitol Group's Financial Controller, Financial Director in the Group's companies in the CIS countries, Georgia and the Baltic States. In 2010 was elected member of LatRosTrans Ltd Supervisory Council on behalf of JSC Ventspils nafta. Mikhail Dvorak does not own shares of JSC Latvian Shipping Company.
- Christophe Theophanis Matsacos* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 17 July 2010. Joined the Vitol financial group in 2008. He is working in Vitol's representation office in Moscow and is responsible for business development in Russia and former CIS countries. Before working for Vitol, K.T.Matsacos has gained experience in the banking sector, working for VTB Europe (London) (previously – Moscow Narodny Bank) where he was responsible for oil business and financial area in Russia and former CIS countries. Christophe Matsacos does not own shares of JSC Latvian Shipping Company.
- Rubil Yilmaz* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010, Financial Director of Vitol Tank Terminals International (VTTI). Holds the position of member of the Supervisory Council of Ventspils nafta termināls Ltd. Rubil Yilmaz does not own shares of JSC Latvian Shipping Company.
- Vladimir Egger* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010. The Chief Representative of the Vitol Group's company VNT SA in Moscow. Mr. Egger has almost 30 years experience in trade of raw materials. Before joining Vitol he was Managing Director of Lukoil Asia Pacific based in Singapore and Beijing (China). Professional education: Bachelor's Degree in Economics and Business Management Master's Degree. Vladimir Egger does not own shares of JSC Latvian Shipping Company.
- Javed Ahmed* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010. At the moment the Head of the Vitol Group's purchasing and investment division; Management Board member of Vitol Tank Terminals International Group and Management Board member of Blue Knight Energy Partners. Professional education: Doctor of Legal Science and Business Management Master's Degree from the University of Harvard, Bachelor's Degree from Yale University. Javed Ahmed does not own shares of JSC Latvian Shipping Company.
- Mark Morrell Ware* Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Member of JSC Ventspils nafta Supervisory Council since 20 January 2010. Previously the Vitol Group's Director in Corporate Matters and now Executive Vice President for Vivo Energy, a company owned 40% by Vitol and running a Shell Branded marketing business in 15 countries in Africa. Mark Ware does not own shares of JSC Latvian Shipping Company.

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

<i>Jaakko Sakari Mikael Salmelin</i>	Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. 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 Danske Capital, Sampo Bank plc and subsequently in KJK Capital Oy, which he co-founded in 2010. He holds the positions of: Member of the Management Board of KJK Fund SICAV SIF, Member of the Board KJK Management SA, Member of the Board of KJK Capital Oy, Member of the Supervisory Board and member of the audit committee in AS Baltika. Jaakko Sakari Mikael Salmelin owns 5.500 Latvian Shipping Company shares.
<i>Ivars Girgensons</i>	Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. A lawyer in the corporate finance company Confide. His main area of specialization is civil law and commercial law. Previously he has managed Creative Consultation Centre Ltd, has worked for Baltijas Ofiss Ltd, Akvašips Ltd, and has been a manager of a branch of JSC SEB banka. Ivars Girgensons does not own shares of JSC Latvian Shipping Company.
<i>Mārtiņš Kvēps</i>	Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Sworn attorney since 1999, Deputy Chairman of the Supervisory Council of JSC Ventbunkers from 2006 until 2010, Chairman of the Supervisory Council of JSC Latvijas naftas tranzīts from 2007 until 2010. Marins Kveps does not own shares of JSC Latvian Shipping Company.
<i>Oļegs Stepanovs</i>	Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. Doctor of Economic Sciences, Vice-president of the Baltic Association – Transport and Logistics from 2006 until 2011, Chairman of the Supervisory Board of JSC Ventspils Commercial Port from 2009 until 2010, Member of the Supervisory Council of JSC Ventspils Nafta from 2010 until 2011, Chairman of the Supervisory Council of JSC SS&F Group since 2008, Member of the Supervisory Council of JSC Baltic Coal Terminal since 2009. Oļegs Stepanovs does not own shares of JSC Latvian Shipping Company.
<i>Serguei Choutov</i>	Elected in the position of the member of the Supervisory Council on December 7, 2011 for 5 years term. 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 Sovbunker and Soyuznefteexport, later he was a Managing Director at Navitank A.B., but since 2006 he is the Chairman of the Management Board of Transgroup Ltd. Serguei Choutov does not own shares of JSC Latvian Shipping Company.

Management Board

Chairman of the Management Board

Simon Richard Blaydes

Members of the Management Board

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 1 June 2011, elected for 5 years term, 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. Simon Blaydes does not own shares of JSC Latvian Shipping Company.

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, elected for 5 years term. Paul Thomas does not own shares of JSC Latvian Shipping Company.

*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. Since 2003 he is responsible for projects and shipping time charters at Vitol Group. Member of the Management Board of Latvian Shipping Company since February, 2011, elected for 5 years term. Christopher Kernon does not own shares of the JSC Latvian Shipping Company.

Review of the shares

Information on share price/index dynamics for the period from 01.01.2013 till 30.06.2013



Index/Share	01.01.2013	30.06.2013	+/-%
—OMX Baltic Benchmark GI	546,98	616,09	12,63
—LSC1R	0,25 LVL	0,30 LVL	17,06

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	2009	2010	2011	2012	Q1-Q2/2013
Open	0.660	0.410	0.370	0.312	0.252
High	0.690	0.520	0.460	0.346	0.310
Low	0.360	0.340	0.301	0.203	0.230
Last	0.400	0.379	0.308	0.252	0.295
Traded volume	3,961,245	5,058,251	13,526,230	985,943	670,106
Turnover, million	1.91	2.03	5.85	0.27	0.18
Capitalisation, million	80.00	75.80	61.60	50.40	59.00

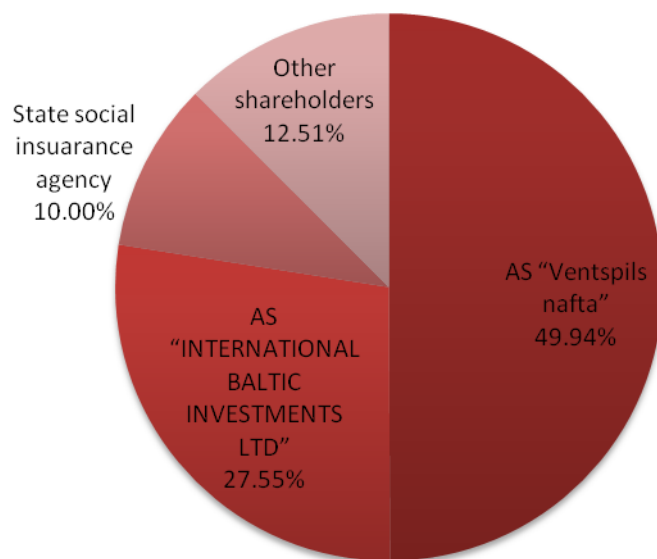
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

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Company's shareholders (over 5%) as of 30.06.2013

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 30.06.2013



Management report

Dear shareholders and stakeholders,

The interim financial result of Latvian Shipping Company (hereafter – LSC or Company) and its subsidiaries (hereafter – LSC Group or Group) for the six months of 2013 resulted in a positive EBITDA of 24.43 million USD which was an improvement of 6.19 million USD over the same period in the previous year. Furthermore the net operating profit of the LSC Group after depreciation, tax, and administrative costs resulted in a profit of 2.82 million USD versus a net operating loss of 4.46 million USD over the same period in 2012.

The net loss of 26.60 million USD was due to a 24.02 million USD fleet non-cash impairment charge (detailed below) and 5.40 million USD non-cash loss due to the sale of the vessel “Kaltene”. In the same period last year the financial result of LSC Group resulted in a net loss of 29.20 million USD.

	2011 6 months	2012 6 months	2013 6 months
Sales	46 609	56 343	52 408
EBITDA	14 733	18 234	24 427
Net profit (loss)	(8 771)	(29 204)	(26 604)

During Q2/2013 the LSC Group continued to further improve its cash position. As of 30 June 2013 the Group had cash and short term deposits of 35.36 million USD, which is 9.23 million USD more than at the beginning of 2013. The cash position of the Group has increased due to improved earnings, sale of vessel “Kaltene” and a reduction in administrative costs.

As mentioned above the reduction in administrative costs continued throughout Q2/2013 with total savings for the six months of 2013 when compared with the same period in 2012 in the amount of 1.78 million USD (six months of 2013: 4.52 million USD versus six months of 2012: 6.29 million USD).

Further to the 1.70 million USD fleet impairment charge in Q1/2013, additional impairments of 22.32 million USD were recognized in Q2/2013 which relates to the vessels with financial obligations due next year.

In Q2/2014 LSC is contractually obliged to make final balloon payments for the vessels “Kolka” and “Kuldiga” which it plans to fund from sales proceeds and/or by arranging for alternative financing if achievable in the current difficult economic environment.

An impairment charge has been recognised in respect of the vessel “Riga”. In 2009 the previous management entered into a sale and leaseback contract for the vessel “Riga” with a re-purchase obligation on the part of LSC Group company at a price determined at the time of agreeing the contract. The contractual obligation to repurchase the vessel “Riga” is due end of Q3/2014 and the purchase price is likely to be considerably higher than the current market value determined by independent international shipping experts. Therefore execution of the mentioned contract will result in losses of at least 10 million USD given current valuations.

Impairments are non-cash items which do not affect the cash position of the Group and are calculated using the higher of a vessel’s fair value less costs of disposal or its value in use. As management considers a sales transaction as an option (m/t “Kuldiga” and m/t “Riga”) within the next twelve months, the vessels’ recoverable value is determined based on their fair value less costs of disposal.

M/t “Kolka” is already classified as an asset held for sale in the statement of financial position and valued at fair value being lower of carrying amount and fair value. In order to determine the fair value of LSC Group’s fleet, valuations of the vessels are carried out by independent international shipping experts.

It is LSC’s intention to use part of the Group’s accumulated cash and any cash that may result from eventual sale of the vessels to cover LSC Group’s financial liabilities which are due in Q3 next year in respect of the vessel Riga.

As previously advised in April 2013 the ten year old vessel “Kaltene” was sold. The sale has enabled LSC Group to repay the outstanding debt owed on the vessel and improve the cash position of LSC Group by 3.20 million USD. However, it resulted in a loss of 5.4 million USD due to its book value being greater than the proceeds from the sale as the vessel was valued using the value-in-use methodology. After the sale the LSC Group fleet consists of 19 tankers, 18 of which are owned by the LSC Group, with one vessel (m/t “Riga”) chartered pursuant to a sale and leaseback contract. The average age of the fleet has now slightly improved and currently is 6.3 years.

Management report *(continued)*

The total income of the fleet for the six months of 2013 was 51.97 million USD which is slightly less than for the same period in the previous year (six months of 2012: 55.84 million USD). LSC Group fleet's net voyage result for six months of 2013 was 44.64 million USD which is an improvement when compared to the previous year (six months of 2012: 42.15 million USD). The net voyage result is a more comparable indicator of the fleet performance analysis, rather than total income, as it is calculated by deducting voyage costs from voyage income and shows the Group's result, irrespective of whether the fleet is employed in the spot or time charter market. Vessel operating profit after depreciation and dry-dock amortisation for the six months of 2013 was 14.12 million USD, a significant improvement on the previous period (six months of 2012: 10.51 million USD).

LSC continues to release average quarterly TCE (Time charter equivalent) rates achieved by LSC Group's fleet:

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

Fleet	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Y2012	1Q 2013	2Q 2013
HS (7 vessels)*	13 003	12 131	12 776	13 239	12 703	12 408	13 661
MR (12 vessels)**	12 605	12 419	13 064	13 904	13 168	13 718	13 668
LR1 (1 vessel)	13 163	11 782	11 700	11 700	12 086	11 700	12 162

*one HS vessel sold in April 2013; remaining number of HS vessels in fleet – 6.

**Including M/t Latgale and m/t Zemgale TCE employed on bareboat charter basis.

Explanations:

HS = handy size (37 dwt); MR = medium range (52 dwt); LR1 = long range (68 dwt).

Net TCE = a non IFRS measure which is used primarily to compare period to period changes in a shipping company's performance irrespective of changes in mix of charter. It is calculated after deduction of commissions payable to shipbrokers/charterers, port costs, bunker costs and any other applicable voyage related costs from vessel revenue and divided by the number of revenue days in the period. Revenue days are the number of days the vessel is trading less the number of days vessel is carrying out repairs or is in dry dock. The above figures reflect combined earnings of fleet for both time charters and spot market trading. The spot TCE is calculated on a pro-rata basis for the quarter after final voyages which commenced in Q2 were completed prior to the date of this report.

Although the majority of the LSC Group fleet is employed on time charter contracts with fixed guaranteed charter rates for all the chartering period, the seasonally strong first quarter and subsequently good second quarter in the product tanker segment has positively affected LSC Group financial results as those vessels which were employed on the spot market achieved positive results. Additionally new time charter agreements were signed throughout the period at relatively higher rates. The current strategy of the management is to continue to trade the remaining vessels (currently trading spot) on the spot markets and to review existing time charters as and when they come up for renewal. There is a preference for the steady and guaranteed cash flow that time charters bring the LSC Group. However, given the stronger performance of the spot market a careful evaluation of the respective merits of spot versus time charter will be assessed on a case by case basis as time charters come up for renewal discussion.

At 30 June 2013 the total value of the LSC Group assets was 550.61 million USD. The figure at 31 December 2012 was 605.78 million USD. The decrease is mainly attributable to the depreciation of the fleet and the impairment provisions as explained above. The total value of the LSC Group fleet was 463.49 million USD which considerably exceeds the total value of the outstanding loans used for the fleet financing (297.70 million USD). The total equity value of the Group at 30 June 2013 was 208.38 million USD (31 December 2012: 234.89 million USD).

During the six months of 2013 the price of LSC shares quoted on the NASDAQ OMX Riga experienced growth of 17.06%. The OMX Baltic Benchmark GI index in the six months of 2013 increased by 12.63%. There were 850 trades of Latvian Shipping Company's shares during six months of 2013 involving 670 106 shares worth 178 444 LVL. On 30 June 2013 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 59.00 million LVL.

Management report (continued)

In July with the purpose of further streamlining its operations and focusing on developing its core business, LSC disposed of its subsidiary *LSC Marine Training* which was engaged in the third party seagoing personnel training business.

LSC management continues to be cautiously optimistic that the petroleum product tanker market will continue to perform well in the immediate future with both spot and time charter earnings improving throughout the first six months of 2013. There are a number of reasons for this optimism. The building of more efficient refineries in the eastern hemisphere (predominantly Middle East and India) and the closure of older less efficient refineries in traditional OECD countries has the potential to increase the flow of refined petroleum products over longer distances thereby increasing ton miles which could create additional demand for product tankers. The advent of a new refined petroleum products export market from the USA due to the surplus oil created by the increase in USA domestic crude refining is another positive factor driving the products market. There continues to be increased product demand into South America and Africa and other developing nations. These are all factors that have and will continue to contribute to improved earnings. At the same time as a word of caution it is clear that the worldwide economic environment is still finely balanced especially within the European Union and increased demand for petroleum products is dependent on worldwide and regional economic growth. It should also be noted that any benefit gained by extra oil product demand could be offset if ship-owners decide to order in great numbers once again. Both economic growth and ship-owner discipline in refraining from over ordering new tonnage will continue to be key to LSC Group's future success.



Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 16 August 2013

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 2013, changes in shareholders' equity, cash flows and the results of the Group for the three month period ended 30 June 2013.

The aforementioned financial statements are prepared in accordance with applicable legislation 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 the management to ensure that financial statements are drawn up pursuant to current legislation.

For and on behalf of the Management Board



Simon Richard Blaydes
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 16 August 2013

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Interim consolidated income statement

for the period ended 30 June 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Voyage income	51 968	55 840	27 825	30 301	39 591	43 114
Income from other services	440	503	236	270	336	384
Revenue	52 408	56 343	28 061	30 571	39 927	43 498
Voyage costs	(7 324)	(13 689)	(3 935)	(7 450)	(5 599)	(10 600)
Cost of sales	(30 913)	(31 997)	(16 601)	(17 303)	(23 621)	(24 620)
Gross profit	14 171	10 657	7 525	5 818	10 707	8 278
Administrative expenses	(4 515)	(6 290)	(2 423)	(3 388)	(3 448)	(4 820)
Impairment of non-financial assets	(24 021)	(24 748)	(12 961)	(13 373)	(18 442)	(19 028)
Other operating income	858	151	457	84	650	120
Other operating expenses	(5 401)	(1)	(2 902)	(1)	(4 129)	(1)
Operating loss	(18 908)	(20 231)	(10 304)	(10 860)	(14 662)	(15 451)
Finance income	142	363	83	213	118	302
Finance costs	(7 776)	(8 902)	(4 179)	(4 813)	(5 946)	(6 848)
Loss before tax	(26 542)	(28 770)	(14 400)	(15 460)	(20 490)	(21 997)
Income tax	(62)	(434)	(33)	(235)	(47)	(334)
Loss for the period	(26 604)	(29 204)	(14 433)	(15 695)	(20 537)	(22 331)
Attributable to:						
Equity holders of the parent	(26 590)	(29 190)	(14 426)	(15 687)	(20 526)	(22 320)
Non-controlling interests	(14)	(14)	(7)	(8)	(11)	(11)
	(26 604)	(29 204)	(14 433)	(15 695)	(20 537)	(22 331)
Loss per share	US \$ (0.13)	US \$ (0.15)	LVL (0.07)	LVL (0.08)	EUR (0.10)	EUR (0.11)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Interim consolidated statement of comprehensive income

for the period ended 30 June 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Loss for the period	(26 604)	(29 204)	(14 433)	(15 695)	(20 537)	(22 331)
Exchange differences on translation of foreign operations	(502)	(1 103)	1 717	3 532	2 446	5 026
Net movement on cash flow hedges	593	121	305	20	433	27
Other comprehensive income/(expenses) for the period, net of tax	91	(982)	2 022	3 552	2 879	5 053
Total comprehensive loss for the period, net of tax	(26 513)	(30 186)	(12 411)	(12 143)	(17 658)	(17 278)
Attributable to:						
Equity holders of the parent	(26 407)	(29 976)	(12 404)	(12 135)	(17 647)	(17 267)
Non-controlling interests	(106)	(210)	(7)	(8)	(11)	(11)
	(26 513)	(30 186)	(12 411)	(12 143)	(17 658)	(17 278)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Interim consolidated statement of financial position

as at 30 June 2013

	30.06.2013.	31.12.2012.	30.06.2013.	31.12.2012.	30.06.2013.	31.12.2012.
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Assets						
Non-current assets						
Intangible assets	57	37	31	20	44	28
Fleet	450 740	517 823	242 949	274 964	345 685	391 239
Property, plant and equipment	3 316	3 527	1 787	1 873	2 543	2 665
Investment properties	1 840	1 880	992	999	1 411	1 421
Investment in associates	14	14	7	7	10	10
Other non-current financial assets	250	4 403	135	2 338	192	3 327
Total non-current assets	456 217	527 684	245 901	280 201	349 885	398 690
Current assets						
Inventories	3 357	4 766	1 809	2 531	2 574	3 601
Trade and other receivables	11 767	14 125	6 341	7 500	9 022	10 672
Prepayments	1 359	1 619	732	859	1 042	1 222
Other current financial assets	29 796	31 450	16 060	16 699	22 851	23 761
Cash and short-term deposits	35 363	26 133	19 061	13 876	27 121	19 744
Total current assets	81 642	78 093	44 003	41 465	62 610	59 000
Assets classified as held for sale	12 750	-	6 872	-	9 778	-
Total assets	550 609	605 777	296 776	321 666	422 273	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
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Interim consolidated statement of financial position (continued)

as at 30 June 2013

	30.06.2013.	31.12.2012.	30.06.2013.	31.12.2012.	30.06.2013.	31.12.2012.
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Equity and liabilities						
Equity						
Share capital	362 319	362 319	200 000	200 000	284 574	284 574
Accumulated deficit	(145 869)	(119 279)	(79 093)	(64 667)	(112 622)	(92 096)
Other components of equity	(14 188)	(14 371)	(11 888)	(13 910)	(16 832)	(19 711)
Equity attributable to equity holders of the parent	202 262	228 669	109 019	121 423	155 120	172 767
Non-controlling interests	6 117	6 223	3 297	3 304	4 691	4 702
Total equity	208 379	234 892	112 316	124 727	159 811	177 469
Non-current liabilities						
Interest bearing loans	228 929	265 965	123 393	141 227	175 572	200 948
Finance lease	23 540	24 360	12 688	12 935	18 053	18 405
Derivative financial instruments	845	1 212	455	643	647	915
Trade and other payables	29 077	28 781	15 672	15 283	22 299	21 746
Deferred tax liabilities	103	105	56	56	80	80
Total non-current liabilities	282 494	320 423	152 264	170 144	216 651	242 094
Current liabilities						
Trade and other payables	12 124	14 628	6 533	7 768	9 296	11 053
Interest bearing loans	43 631	31 206	23 517	16 570	33 462	23 577
Finance lease	1 603	1 447	864	768	1 229	1 093
Derivative financial instruments	527	756	284	401	404	571
Deferred revenue	1 851	2 425	998	1 288	1 420	1 833
Total current liabilities	59 736	50 462	32 196	26 795	45 811	38 127
Total equity and liabilities	550 609	605 777	296 776	321 666	422 273	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Interim consolidated statement of changes in equity

for the period ended 30 June 2013

	Attributable to the holders of the parent					Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000		
As at 31 December 2011	362 319	(84 722)	(2 689)	(13 187)	261 721	6 114	267 835
Loss of 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)
As at 30 June 2012	362 319	(113 912)	(2 568)	(14 094)	231 745	5 904	237 649
Loss of the period	-	(5 367)	-	-	(5 367)	(26)	(5 393)
Other comprehensive income	-	-	678	1 613	2 291	345	2 636
Total comprehensive income/(expenses)	-	(5 367)	678	1 613	(3 076)	319	(2 757)
As at 31 December 2012	362 319	(119 279)	(1 890)	(12 481)	228 669	6 223	234 892
Loss of the period	-	(26 590)	-	-	(26 590)	(14)	(26 604)
Other comprehensive income/(expenses)	-	-	593	(410)	183	(92)	91
Total comprehensive income/(expenses)	-	(26 590)	593	(410)	(26 407)	(106)	(26 513)
As at 30 June 2013	362 319	(145 869)	(1 297)	(12 891)	202 262	6 117	208 379

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Interim consolidated statement of changes in equity (continued)

for the period ended 30 June 2013

	Attributable to the holders of the parent					Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total		
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
As at 31 December 2011	200 000	(46 039)	(1 463)	(10 122)	142 376	3 326	145 702
Loss of 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)
As at 30 June 2012	200 000	(61 726)	(1 443)	(6 590)	130 241	3 318	133 559
Loss of the period	-	(2 941)	-	-	(2 941)	(14)	(2 955)
Other comprehensive income/(expenses)	-	-	439	(6 316)	(5 877)	-	(5 877)
Total comprehensive income/(expenses)	-	(2 941)	439	(6 316)	(8 818)	(14)	(8 832)
As at 31 December 2012	200 000	(64 667)	(1 004)	(12 906)	121 423	3 304	124 727
Loss of the period	-	(14 426)	-	-	(14 426)	(7)	(14 433)
Other comprehensive income	-	-	305	1 717	2 022	-	2 022
Total comprehensive income/(expenses)	-	(14 426)	305	1 717	(12 404)	(7)	(12 411)
As at 30 June 2013	200 000	(79 093)	(699)	(11 189)	109 019	3 297	112 316

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Interim consolidated statement of changes in equity (continued)

for the period ended 30 June 2013

	Attributable to the holders of the parent				Total	Non-controlling interests	Total equity
	Share capital	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2011	284 574	(65 590)	(2 081)	(14 320)	202 583	4 732	207 315
Loss of 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)
As at 30 June 2012	284 574	(87 910)	(2 054)	(9 294)	185 316	4 721	190 037
Loss of the period	-	(4 186)	-	-	(4 186)	(19)	(4 205)
Other comprehensive income/(expenses)	-	-	626	(8 989)	(8 363)	-	(8 363)
Total comprehensive income/(expenses)	-	(4 186)	626	(8 989)	(12 549)	(19)	(12 568)
As at 31 December 2012	284 574	(92 096)	(1 428)	(18 283)	172 767	4 702	177 469
Loss of the period	-	(20 526)	-	-	(20 526)	(11)	(20 537)
Other comprehensive income	-	-	433	2 446	2 879	-	2 879
Total comprehensive income/(expenses)	-	(20 526)	433	2 446	(17 647)	(11)	(17 658)
As at 30 June 2013	284 574	(112 622)	(995)	(15 837)	155 120	4 691	159 811

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Interim consolidated statement of cash flows

for the period ended 30 June 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Operating activities						
Loss before tax	(26 542)	(28 770)	(14 400)	(15 460)	(20 490)	(21 997)
<u>Adjustments for:</u>						
Depreciation and amortisation	13 912	13 717	7 477	7 421	10 639	10 560
Result on disposal of non-financial assets	5 400	-	2 901	-	4 128	-
Impairment of non-financial assets	24 021	24 748	12 961	13 373	18 442	19 028
Other adjustments	6 520	8 119	3 777	4 931	5 374	7 014
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	6 779	(2 673)	3 629	(1 448)	5 164	(2 060)
Changes in inventories	1 409	(736)	754	(399)	1 073	(568)
Changes in trade and other payables	(3 039)	(5 453)	(1 627)	(2 953)	(2 315)	(4 202)
Net cash flows from operating activities	28 460	8 952	15 472	5 465	22 015	7 775
Net cash flows used in investing activities	13 290	(3 109)	7 122	(1 684)	10 133	(2 396)
Cash flows before financing activities	41 750	5 843	22 594	3 781	32 148	5 379
Net cash flows from financing activities	(32 520)	538	(17 409)	291	(24 771)	415
Net decrease in cash and cash equivalents	9 230	6 381	5 185	4 072	7 377	5 794
Cash and cash equivalents at 1 January	26 133	26 983	13 876	14 679	19 744	20 886
Cash and cash equivalents at 30 June	35 363	33 364	19 061	18 751	27 121	26 680

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 2012, which were prepared in accordance with the International Financial Reporting Standards.

The financial statements are prepared in U.S. dollars which is the functional currency of the primary (shipping) business and Latvian Lats (LVL) which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia. Functional currency of non-primary businesses is LVL, which is translated to the functional currency of the primary business as described below.

Monetary assets and liabilities of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange prevailing at the end of the financial period. Share capital and reserves are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

LB rate of exchange as at 30.06.2013 USD/LVL - 0.539 (average – 0.535324)

LB rate of exchange as at 30.06.2012 USD/LVL - 0.562 (average – 0.541623)

LB rate of exchange as at 31.12.2012 USD/LVL - 0.531

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.06.2013: 1 EUR = 0.702804 LVL, 30.06.2012: 1 EUR = 0.702804 LVL due to requirements of JSC „NASDAQ OMX Riga”.

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

2. Segment information

Shipping segment for the period ended 30 June 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Time charter hire income	36 873	33 328	19 726	18 083	28 068	25 730
Freight income	15 095	22 512	8 099	12 218	11 523	17 384
Voyage income from external customers	51 968	55 840	27 825	30 301	39 591	43 114
Voyage costs	(7 324)	(13 689)	(3 935)	(7 450)	(5 599)	(10 600)
Net voyage result	44 644	42 151	23 890	22 851	33 992	32 514
Vessel operating costs	(16 815)	(18 251)	(9 025)	(9 863)	(12 843)	(14 033)
Other revenue	440	503	236	270	336	384
Costs of sales (Vessel operating costs excluding)	(364)	(328)	(195)	(181)	(278)	(257)
Administrative expenses	(4 261)	(5 917)	(2 286)	(3 186)	(3 252)	(4 534)
Result from disposal of non-financial assets	(5 400)	-	(2 901)	-	(4 128)	-
Depreciation and amortisation	(13 912)	(13 716)	(7 477)	(7 421)	(10 639)	(10 559)
Impairment of non-financial assets	(24 021)	(24 748)	(12 961)	(13 373)	(18 442)	(19 028)
Other operating income	858	151	457	84	650	120
Other operating expenses	(1)	(1)	(1)	(1)	(1)	(1)
Result before financial items	(18 832)	(20 156)	(10 263)	(10 820)	(14 605)	(15 394)
Interest income	9	15	5	8	7	12
Interest expense	(7 599)	(8 740)	(4 084)	(4 724)	(5 812)	(6 723)
Finance income/(expenses), net	(30)	209	(9)	130	(12)	184
Net result before tax	(26 452)	(28 672)	(14 351)	(15 406)	(20 422)	(21 921)
Segment assets	512 817	590 820	276 406	332 042	393 290	472 452
Including additions to non-current assets	887	3 519	475	1 906	676	2 712

For management purposes the Group is organised into business units based on their business activities and has one reportable operating segment - *Shipping*. Shipping segment primarily derives its revenues from the handy sized and medium range tankers transportation services mainly on the basis of time charter agreements. Segment's expenses include voyage costs, commissions, vessel operating expenses (including crew expenses and training) and administrative expenses relating to the management of shipping segment.

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

2. Segment information (continued)

Reconciliation of segment results and assets to income statement and statement of financial position for the period ended 30 June 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Net result before tax for reportable segment	(26 452)	(28 672)	(14 351)	(15 406)	(20 422)	(21 921)
Administrative expenses	(76)	(75)	(41)	(40)	(57)	(57)
Interest income	5	-	3	-	4	-
Interest expenses	(16)	-	(9)	-	(12)	-
Finance expenses	(3)	(23)	(2)	(14)	(3)	(19)
Loss before tax	(26 542)	(28 770)	(14 400)	(15 460)	(20 490)	(21 997)
	30.06.2013.	30.06.2012.	30.06.2013.	30.06.2012.	30.06.2013.	30.06.2012.
Segment assets for reportable segment	512 817	590 820	276 406	332 042	393 290	472 452
Unallocated:						
Investment properties	1 840	1 789	992	1 006	1 411	1 431
Other assets of subsidiaries not included in segment	6 156	4 181	3 318	2 350	4 721	3 344
Available-for-sale financial assets	29 796	28 902	16 060	16 243	22 851	23 112
Total assets	550 609	625 692	296 776	351 641	422 273	500 339

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

3. Related party transactions

for the period ended 30 June 2013

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Freight and hire revenue / Outstanding balances	19 605	-	1 141	(1 913)
Technical management fee and IT services / Outstanding balances	198	-	9	-
Interest income/(expense) / Outstanding balances	3	(427)	525	(29 077)
Consulting services / Outstanding balances	-	(51)	-	(29)
Other services / Outstanding balances	23	-	2	-
Total	<u>19 829</u>	<u>(478)</u>	<u>1 677</u>	<u>(31 019)</u>

Including:

Non-current			-	(29 077)
Current			1 677	(787)
Deferred income			-	(1 155)
Total			<u>1 677</u>	<u>(31 019)</u>

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>
Freight and hire revenue / Outstanding balances	10 495	-	615	(1 031)
Technical management fee and IT services / Outstanding balances	106	-	5	-
Interest income/(expense) / Outstanding balances	2	(230)	283	(15 672)
Consulting services / Outstanding balances	-	(27)	-	(16)
Other services / Outstanding balances	12	-	1	-
Total	<u>10 615</u>	<u>(257)</u>	<u>904</u>	<u>(16 719)</u>

Including:

Non-current			-	(15 672)
Current			904	(424)
Deferred income			-	(623)
Total			<u>904</u>	<u>(16 719)</u>

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

3. Related party transactions (continued) for the period ended 30 June 2013

	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR'000	EUR'000	EUR'000	EUR'000
Freight and hire revenue / Outstanding balances	14 933	-	875	(1 467)
Technical management fee				
IT services / Outstanding balances	150	-	7	-
Interest income/(expense) / Outstanding balances	3	(327)	402	(22 299)
Consulting services / Outstanding balances	-	(38)	-	(23)
Other services / Outstanding balances	17	-	1	-
Total	15 103	(365)	1 285	(23 789)
Including:				
Non-current			-	(22 299)
Current			1 285	(604)
Deferred income			-	(886)
Total			1 285	(23 789)

for the period ended 30 June 2012

	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue / Outstanding balances	15 904	-	158	(751)
Technical management fee				
IT services / Outstanding balances	179	-	13	-
Interest expense / Outstanding balances	-	(155)	-	(27 850)
Consulting services / Outstanding balances	-	(104)	-	(45)
Real estate rent / Outstanding balances	-	(87)	25	(13)
Other services / Outstanding balances	38	-	15	(43)
Total	16 121	(346)	211	(28 702)
Including:				
Non-current			25	(27 850)
Current			186	(101)
Deferred income			-	(751)
Total			211	(28 702)

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

3. Related party transactions (continued)

for the period ended 30 June 2012

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>	<u>LVL '000</u>
Freight and hire revenue / Outstanding balances	8 614	-	90	(422)
Technical management fee				
IT services / Outstanding balances	96	-	7	-
Interest expense / Outstanding balances	-	(86)	-	(15 652)
Consulting services / Outstanding balances	-	(57)	-	(25)
Real estate rent / Outstanding balances	-	(47)	14	(7)
Other services / Outstanding balances	11	-	9	(24)
Total	<u>8 721</u>	<u>(190)</u>	<u>120</u>	<u>(16 130)</u>

Including:

Non-current			14	(15 652)
Current			106	(56)
Deferred income			-	(422)
Total			<u>120</u>	<u>(16 130)</u>

	<u>Income</u>	<u>Expenses</u>	<u>Amounts due from related parties</u>	<u>Amounts due to related parties</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Freight and hire revenue / Outstanding balances	12 257	-	128	(600)
Technical management fee				
IT services / Outstanding balances	137	-	10	-
Interest income/(expense) / Outstanding balances	-	(122)	-	(22 271)
Consulting services / Outstanding balances	-	(81)	-	(36)
Real estate rent / Outstanding balances	-	(67)	20	(10)
Other services / Outstanding balances	16	-	13	(34)
Total	<u>12 410</u>	<u>(270)</u>	<u>171</u>	<u>(22 951)</u>

Including:

Non-current			20	(22 271)
Current			151	(80)
Deferred income			-	(600)
Total			<u>171</u>	<u>(22 951)</u>

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

Contact person with respect to information presented in these financial statements

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Forward-Looking Statements

Matters discussed in the management report may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements. The forward-looking statements in the management report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. In addition to these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for tanker vessel capacity, changes in our operating expenses, including bunker prices, dry-docking and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors. LSC management shall not be liable for the decisions made by third persons based on information provided by LSC management as the forward-looking statements.