

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

Unaudited Condensed Interim Consolidated Financial Statements

for the 1st quarter 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

<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>	Previously the <i>Vitol Group's</i> Director in Corporate Matters and now Executive Vice President for <i>Vivo Energy</i> , a company owned 40% by <i>Vitol</i> and running a Shell Branded marketing business in 15 countries in Africa. 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

Christopher James Kernon

Professional experience of the members of the Management Board

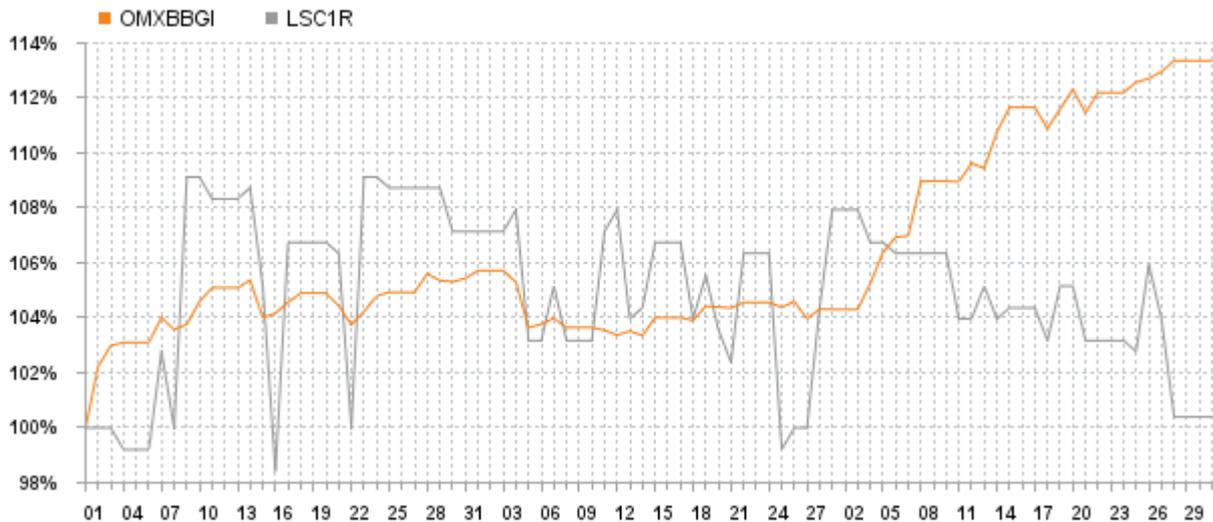
Simon Richard Blaydes Member of the Management Board of Latvian Shipping Company since 1 June 2011, Chairman of the Management Board since 15 November 2011. Previously from 2009 till 2010 CFO of the Arawak Group of companies. Before that he was a partner in the transaction support departments of Ernst & 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 Member of the Management Board of Latvian Shipping Company since July 2010. *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.

Christopher James Kernon Member of the Management Board of Latvian Shipping Company since February 2011. 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 01.01.2013 till 31.03.2013



Index/Share	01.01.2013	31.03.2013	+/-%
—OMX Baltic Benchmark GI	546.98	620.05	13.36
—LSC1R	0.25 LVL	0.25 LVL	0.40

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	Q1/2013
Open	0.660	0.410	0.370	0.312	0.252
High	0.690	0.520	0.460	0.346	0.275
Low	0.360	0.340	0.301	0.203	0.242
Last	0.400	0.379	0.308	0.252	0.253
Traded volume	3,961,245	5,058,251	13,526,230	985,943	216,887
Turnover, million	1.91	2.03	5.85	0.27	0.06
Capitalisation, million	80.00	75.80	61.60	50.40	50.60

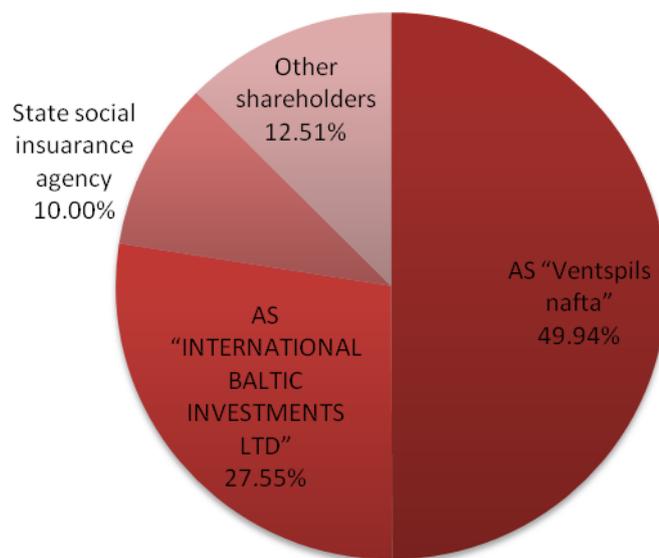
Information source: JSC „NASDAQ OMX Riga” webpage www.nasdaqomxbaltic.com

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Company's shareholders (over 5%) as of 31.03.2013

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 31.03.2013



Management report

Dear shareholders and stakeholders,

I am delighted to inform you that in Q1/2013 Latvian Shipping Company has returned to profit. The interim financial result of Latvian Shipping Company and its subsidiaries (hereafter – LSC, LSC Group, Group or Company) for the first quarter of 2013 resulted in a net profit in the amount of 77 thousand USD even after a 1.7 million USD fleet impairment charge. Although the level of the profit is symbolic it is a remarkable achievement as this is the first time since 2008, where the Company has reached a positive net financial result. For the first three months in 2012, the Company had a net loss of USD 17.77 million.

As mentioned above the net result includes a fleet impairment charge in the amount of 1.7 million USD recognised in Q1/2013. The impairments are 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 LSC Group's fleet, valuations of the vessels are carried out by independent international shipping experts.

Although the majority of the LSC Group fleet is employed on a time charter basis with fixed charter rates for all the chartering period, the seasonally strong first quarter in the product tanker segment has positively affected LSC Group financial results as those vessels which were employed on the spot market achieved good results. Additionally new time charter agreements were signed at relatively higher rates too.

The reduction in administrative costs by USD 1.18 million (from USD 3.24 million in Q1/2012 to USD 2.06 million in Q1/2013) had a positive impact on the LSC financial results. The reduction is mainly achieved by a decrease in legal expenditures reflecting a heavy spend in Q1/2012 versus the current rate of spending.

During Q1/2013 LSC Group also managed to improve its cash position and as of 31 March 2013 the Company had cash and short term deposits in the amount of 29.26 million USD, which is 3.13 million USD more than at the beginning of the year. Furthermore, LSC has reached agreement with its largest shareholder AS "Ventspils nafta" to provide a facility for further financing, if required, in order to comply with a minimum cash reserve covenant of 17 million USD set by the banking syndicates.

There were no changes in LSC Group's fleet during Q1/2013. However, after the reporting period the ten year old vessel "Kaltene" was sold. The sale has enabled LSC to repay the outstanding debt owed on the vessel and additionally improve the cash position of LSC. Unfortunately this will result in a loss on the sale in Q2 of approximately 5.4 million USD due to the book value being greater than proceeds as the ship 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 chartered pursuant to a sale and leaseback deal. The average age of the fleet has now slightly improved and currently is 6.3 years.

The total income of the fleet in Q1/2013 was USD 26.83 million which is slightly less than for the same period a year before (Q1/2012: USD 27.79 million). LSC Group fleet's net voyage result for Q1/2013 was USD 22.22 million which is a small improvement in comparison to the previous year (Q1/2012: USD 21.58 million). The net voyage result is a more comparable indicator for the fleet performance analysis as it is calculated by deducting voyage costs 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 after depreciation and dry-dock amortisation for the Q1/2013 was USD 6.51 million, a slight improvement on the previous period (Q1/2012: USD 6.13 million).

LSC continues to release average quarterly chartering rates achieved by LSC Group's fleet:

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

Fleet	Y 2010	Y 2011	Y 2012	1Q 2012	2Q 2012	3Q 2012	Q4 2012	Q1 2013
HS (7 vessels)	10 271	11 216	12 703	13 003	12 131	12 776	13 239	12 408
MR (12 vessels)	11 849	12 882	13 168	12 605	12 419	13 064	13 904	13 718
LR1 (1 vessel)	16 826	13 623	12 086	13 163	11 782	11 700	11 700	11 700

Management report (continued)

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/charterers, port costs, bunker costs and any other applicable voyage related costs. The above figures reflect combined earnings of fleet from 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 Q1 were completed prior to the date of this report.

At 31 March 2013 the total value of LSC Group assets was USD 595.24 million. The figure at December 31, 2012 was USD 605.78 million. The decrease is mainly attributed to depreciation of the fleet and the impairment provisions as explained above. The total value of the LSC Group fleet was USD 509.79 million which considerably exceeds the total value of the outstanding loans used for the fleet financing (USD 314.68 million). The total equity value of the Group at 31 March 2013 was USD 234.14 million (31.12.2012: USD 234.89 million).

During the Q1/2013 the price of LSC shares quoted on the NASDAQ OMX Riga remained practically unchanged. The OMX Baltic Benchmark GI index in the same period increased by 13.36%. There were 335 trades of Latvian Shipping Company's shares during the reporting period involving 216 887 shares worth LVL 57 445. On 31 March 2013 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was LVL 50.60 million.

LSC management is cautiously optimistic about the future of the product tanker market with charter rates slowly increasing. Positive trends including refinery closures in OECD countries creating longer ton miles, a new products export market from the USA, increased product demand into south America and Africa are all factors contributing to improved earnings. At the same time the worldwide economic environment is still delicately balanced and increased demand for products, without a massive new ship order-book, 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, 21 May 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 31 March 2013, changes in shareholders' equity, cash flows and the results of the Group for the three month period ended 31 March 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, 21 May 2013

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated income statement

for the period ended 31 March 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Voyage income	26 828	27 792	14 282	14 971	20 321	21 302
Income from other services	227	233	123	124	175	176
Revenue	27 055	28 025	14 405	15 095	20 496	21 478
Voyage costs	(4 604)	(6 210)	(2 448)	(3 290)	(3 483)	(4 681)
Cost of sales	(15 897)	(15 657)	(8 464)	(8 300)	(12 043)	(11 809)
Gross profit	6 554	6 158	3 493	3 505	4 970	4 988
Administrative expenses	(2 062)	(3 239)	(1 100)	(1 708)	(1 565)	(2 432)
Impairment of non-financial assets	(1 700)	(15 747)	(905)	(8 314)	(1 288)	(11 830)
Other operating income	858	1	457	-	650	-
Other operating expenses	-	(3)	-	(2)	-	(2)
Operating profit/(loss)	3 650	(12 830)	1 945	(6 519)	2 767	(9 276)
Finance income	379	11	205	6	292	9
Finance costs	(3 922)	(4 736)	(2 088)	(2 504)	(2 971)	(3 563)
Profit/(loss) before tax	107	(17 555)	62	(9 017)	88	(12 830)
Income tax	(30)	(218)	(17)	(118)	(24)	(168)
Profit/(loss) for the period	77	(17 773)	45	(9 135)	64	(12 998)
Attributable to:						
Equity holders of the parent	81	(17 768)	47	(9 132)	67	(12 994)
Non-controlling interests	(4)	(5)	(2)	(3)	(3)	(4)
	77	(17 773)	45	(9 135)	64	(12 998)
Profit/(loss) per share	US \$ 0.00	US \$ (0.09)	LVL 0.00	LVL (0.05)	EUR 0.00	EUR (0.06)

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

for the period ended 31 March 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Profit/(loss) for the period	77	(17 773)	45	(9 135)	64	(12 998)
Exchange differences on translation of foreign operations	(999)	997	63	(4 051)	4 611	(5 762)
Net movement on cash flow hedges	170	58	3 239	74	89	105
Other comprehensive income/(expenses) for the period, net of tax	(829)	1 055	3 302	(3 977)	4 700	(5 657)
Total comprehensive (loss)/profit for the period, net of tax	(752)	(16 718)	3 347	(13 112)	4 764	(18 655)
Attributable to:						
Equity holders of the parent	(566)	(16 898)	3 349	(13 109)	4 767	(18 651)
Non-controlling interests	(186)	180	(2)	(3)	(3)	(4)
	(752)	(16 718)	3 347	(13 112)	4 764	(18 655)

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of financial position

as at 31 March 2013

	31.03.2013.	31.12.2012.	31.03.2013.	31.12.2012.	31.03.2013.	31.12.2012.
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
Assets						
Non-current assets						
Intangible assets	64	37	35	20	50	28
Fleet	509 793	517 823	278 857	274 964	396 778	391 239
Property, plant and equipment	3 349	3 527	1 832	1 873	2 607	2 665
Investment properties	1 819	1 880	995	999	1 416	1 421
Investment in associates	14	14	7	7	10	10
Other non-current financial assets	4 403	4 403	2 408	2 338	3 426	3 327
Total non-current assets	519 442	527 684	284 134	280 201	404 287	398 690
Current assets						
Inventories	3 938	4 766	2 154	2 531	3 065	3 601
Trade and other receivables	9 775	14 125	5 347	7 500	7 608	10 672
Prepayments	2 057	1 619	1 125	859	1 601	1 222
Other current financial assets	30 764	31 450	16 828	16 699	23 944	23 761
Cash and short-term deposits	29 259	26 133	16 005	13 876	22 773	19 744
Total current assets	75 793	78 093	41 459	41 465	58 991	59 000
Total assets	595 235	605 777	325 593	321 666	463 278	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of financial position (continued)

as at 31 March 2013

	31.03.2013.	31.12.2012.	31.03.2013.	31.12.2012.	31.03.2013.	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	(119 198)	(119 279)	(64 620)	(64 667)	(92 029)	(92 096)
Other components of equity	(15 018)	(14 371)	(10 608)	(13 910)	(15 011)	(19 711)
Equity attributable to equity holders						
of the parent	228 103	228 669	124 772	121 423	177 534	172 767
Non-controlling interests	6 037	6 223	3 302	3 304	4 699	4 702
Total equity	234 140	234 892	128 074	124 727	182 233	177 469
Non-current liabilities						
Interest bearing loans	258 170	265 965	141 219	141 227	200 937	200 948
Finance lease	23 958	24 360	13 105	12 935	18 647	18 405
Derivative financial instruments	1 106	1 212	605	643	861	915
Trade and other payables	28 734	28 781	15 717	15 283	22 363	21 746
Deferred tax liabilities	102	105	56	56	80	80
Total non-current liabilities	312 070	320 423	170 702	170 144	242 888	242 094
Current liabilities						
Trade and other payables	13 926	14 628	7 618	7 768	10 839	11 053
Interest bearing loans	31 017	31 206	16 966	16 570	24 140	23 577
Finance lease	1 538	1 447	841	768	1 197	1 093
Derivative financial instruments	690	756	378	401	538	571
Deferred revenue	1 854	2 425	1 014	1 288	1 443	1 833
Total current liabilities	49 025	50 462	26 817	26 795	38 157	38 127
Total equity and liabilities	595 235	605 777	325 593	321 666	463 278	457 690

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of changes in equity

for the period ended 31 March 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	-	(17 768)	-	-	(17 768)	(5)	(17 773)
Other comprehensive income	-	-	58	812	870	185	1 055
Total comprehensive income/(expenses)	-	(17 768)	58	812	(16 898)	180	(16 718)
As at 31 March 2012	362 319	(102 490)	(2 631)	(12 375)	244 823	6 294	251 117
Loss of the period	-	(16 789)	-	-	(16 789)	(35)	(16 824)
Other comprehensive income/(expenses)	-	-	741	(106)	635	(36)	599
Total comprehensive income/(expenses)	-	(16 789)	741	(106)	(16 154)	(71)	(16 225)
As at 31 December 2012	362 319	(119 279)	(1 890)	(12 481)	228 669	6 223	234 892
Profit/(loss) of the period	-	81	-	-	81	(4)	77
Other comprehensive income/(expenses)	-	-	170	(817)	(647)	(182)	(829)
Total comprehensive income/(expenses)	-	81	170	(817)	(566)	(186)	(752)
As at 31 March 2013	362 319	(119 198)	(1 720)	(13 298)	228 103	6 037	234 140

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of changes in equity (continued)

for the period ended 31 March 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		
As at 31 December 2011	200 000	(46 039)	(1 463)	(10 122)	142 376	3 326	145 702	
Loss of 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)	
As at 31 March 2012	200 000	(55 171)	(1 389)	(14 173)	129 267	3 323	132 590	
Loss of the period	-	(9 496)	-	-	(9 496)	(19)	(9 515)	
Other comprehensive income	-	-	385	1 267	1 652	-	1 652	
Total comprehensive income/(expenses)	-	(9 496)	385	1 267	(7 844)	(19)	(7 863)	
As at 31 December 2012	200 000	(64 667)	(1 004)	(12 906)	121 423	3 304	124 727	
Profit/(loss) of the period	-	47	-	-	47	(2)	45	
Other comprehensive income	-	-	63	3 239	3 302	-	3 302	
Total comprehensive income/(expenses)	-	47	63	3 239	3 349	(2)	3 347	
As at 31 March 2013	200 000	(64 620)	(941)	(9 667)	124 772	3 302	128 074	

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of changes in equity (continued)

for the period ended 31 March 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		
	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	-	(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)
As at 31 March 2012	284 574	(78 584)	(1 976)	(20 082)	183 932	4 728	188 660
Loss of the period	-	(13 512)	-	-	(13 512)	(26)	(13 538)
Other comprehensive income	-	-	548	1 799	2 347	-	2 347
Total comprehensive income/(expenses)	-	(13 512)	548	1 799	(11 165)	(26)	(11 191)
As at 31 December 2012	284 574	(92 096)	(1 428)	(18 283)	172 767	4 702	177 469
Profit/(loss) of the period	-	67	-	-	67	(3)	64
Other comprehensive income	-	-	89	4 611	4 700	-	4 700
Total comprehensive income/(expenses)	-	67	89	4 611	4 767	(3)	4 764
As at 31 March 2013	284 574	(92 029)	(1 339)	(13 672)	177 534	4 699	182 233

LATVIAN SHIPPING COMPANY AND ITS SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2013

Interim consolidated statement of cash flows

for the period ended 31 March 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Operating activities						
Profit/(loss) before tax	107	(17 555)	62	(9 017)	88	(12 830)
<u>Adjustments for:</u>						
Depreciation and amortisation	7 175	6 363	3 820	3 362	5 435	4 783
Result on disposal of non-financial assets	-	(1)	-	-	-	-
Impairment of non-financial assets	1 700	15 747	905	8 314	1 288	11 830
Other adjustments	3 026	4 083	1 267	1 640	1 804	2 333
<u>Working capital adjustments:</u>						
Changes in trade and other receivables and prepayments	3 920	(2 073)	2 087	(1 112)	2 970	(1 582)
Changes in inventories	828	(1 294)	441	(694)	627	(987)
Changes in trade and other payables	(1 196)	(3 011)	(637)	(1 615)	(906)	(2 298)
Net cash flows from/(used in) operating activities	15 560	2 259	7 945	878	11 306	1 249
Net cash flows used in investing activities	(532)	(843)	(283)	(452)	(403)	(643)
Cash flows before financing activities	15 028	1 416	7 662	426	10 903	606
Net cash flows from financing activities	(11 902)	(6 334)	(6 336)	(3 455)	(9 016)	(4 916)
Net decrease in cash and cash equivalents	3 126	(4 918)	1 326	(3 029)	1 887	(4 310)
Cash and cash equivalents at 1 January	26 133	26 983	14 679	14 679	20 886	20 886
Cash and cash equivalents at 31 March	29 259	22 065	16 005	11 650	22 773	16 576

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 31.03.2013 USD/LVL - 0.547 (average – 0.532352)

LB rate of exchange as at 31.03.2012 USD/LVL - 0.528 (average – 0.536478)

These financial statements are translated into Euros using the rate of exchange set by the Bank of Latvia prevailing at the 31.03.2013: 1 EUR = 0.702804 LVL, 31.03.2012: 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 31 March 2013

	2013 US \$'000	2012 US \$'000	2013 LVL'000	2012 LVL'000	2013 EUR'000	2012 EUR'000
Time charter hire income	18 704	17 135	9 957	9 296	14 168	13 228
Freight income	8 124	10 657	4 325	5 675	6 153	8 074
Voyage income from external customers	26 828	27 792	14 282	14 971	20 321	21 302
Voyage costs	(4 604)	(6 210)	(2 448)	(3 290)	(3 483)	(4 681)
Net voyage result	22 224	21 582	11 834	11 681	16 838	16 621
Vessel operating costs	(8 642)	(9 262)	(4 603)	(4 921)	(6 549)	(7 001)
Other revenue	227	233	123	124	175	176
Costs of sales (Vessel operating costs excluding)	(174)	(189)	(91)	(100)	(130)	(142)
Administrative expenses	(1 930)	(3 043)	(1 030)	(1 604)	(1 466)	(2 285)
Result from disposal of non-financial assets	-	1	-	-	-	-
Depreciation and amortisation	(7 175)	(6 363)	(3 820)	(3 362)	(5 435)	(4 783)
Impairment of non-financial assets	(1 700)	(15 747)	(905)	(8 314)	(1 288)	(11 830)
Other operating income	858	-	457	-	650	-
Other operating expenses	-	(3)	-	(2)	-	(2)
Result before financial items	3 688	(12 791)	1 965	(6 498)	2 795	(9 246)
Interest income	6	11	3	6	4	9
Interest expense	(3 830)	(4 387)	(2 038)	(2 319)	(2 900)	(3 300)
Finance income/(expenses), net	286	(346)	155	(183)	221	(261)
Net result before tax	150	(17 513)	85	(8 994)	120	(12 798)
Segment assets	557 774	594 356	305 102	313 819	434 122	446 524
Including additions to non-current assets	793	1 485	422	797	601	1 134

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 31 March 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	150	(17 513)	85	(8 994)	120	(12 798)
Administrative expenses	(38)	(39)	(20)	(21)	(28)	(30)
Finance expenses	(5)	(3)	(3)	(2)	(4)	(2)
Profit/(loss) before tax	107	(17 555)	62	(9 017)	88	(12 830)
	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.	31.03.2013.	31.03.2012.
Segment assets for reportable segment	557 774	594 356	305 102	313 819	434 122	446 524
Unallocated:						
Investment properties	1 819	1 911	995	1 009	1 416	1 436
Other assets of subsidiaries not included in segment	6 165	4 222	3 372	2 229	4 798	3 172
Available-for-sale financial assets	29 477	30 251	16 124	15 973	22 942	22 728
Total assets	595 235	630 740	325 593	333 030	463 278	473 860

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

3. Related party transactions

for the period ended 31 March 2013

	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	8 174	-	868	(835)
Technical management fee and IT services / Outstanding balances	98	-	8	-
Interest income/(expense) / Outstanding balances	1	(211)	516	(28 734)
Consulting services / Outstanding balances	-	(26)	-	(27)
Other services / Outstanding balances	16	-	3	-
Total	8 289	(237)	1 395	(29 596)

Including:

Non-current			-	(28 734)
Current			1 395	(27)
Deferred income			-	(835)
Total			1 395	(29 596)

	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	LVL '000	LVL '000	LVL '000	LVL '000
Freight and hire revenue / Outstanding balances	4 352	-	475	(457)
Technical management fee and IT services / Outstanding balances	52	-	4	-
Interest income/(expense) / Outstanding balances	1	(114)	282	(15 717)
Consulting services / Outstanding balances	-	(14)	-	(15)
Other services / Outstanding balances	8	-	2	-
Total	4 413	(128)	763	(16 189)

Including:

Non-current			-	(15 717)
Current			763	(15)
Deferred income			-	(457)
Total			763	(16 189)

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

3. Related party transactions (continued) for the period ended 31 March 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	6 193	-	676	(650)
Technical management fee				
IT services / Outstanding balances	73	-	6	-
Interest income/(expense) / Outstanding balances	1	(162)	401	(22 363)
Consulting services / Outstanding balances	-	(20)	-	(21)
Other services / Outstanding balances	11	-	3	-
Total	6 278	(182)	1 086	(23 034)
Including:				
Non-current			-	(22 363)
Current			1 086	(21)
Deferred income			-	(650)
Total			1 086	(23 034)

for the period ended 31 March 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	8 340	-	27	(2 023)
Technical management fee				
IT services / Outstanding balances	90	-	5	-
Interest expense / Outstanding balances	-	(13)	-	(8 678)
Consulting services / Outstanding balances	-	(35)	-	(43)
Real estate rent / Outstanding balances	-	(44)	27	(4)
Other services / Outstanding balances	14	-	4	-
Total	8 444	(92)	63	(10 748)
Including:				
Non-current			27	(8 678)
Current			36	(47)
Deferred income			-	(2 023)
Total			63	(10 748)

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

3. Related party transactions (continued)

for the period ended 31 March 2012

	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	LVL '000	LVL '000	LVL '000	LVL '000
Freight and hire revenue / Outstanding balances	4 473	-	15	(1 068)
Technical management fee				
IT services / Outstanding balances	48	-	3	-
Interest expense / Outstanding balances	-	(7)	-	(4 582)
Consulting services / Outstanding balances	-	(19)	-	(23)
Real estate rent / Outstanding balances	-	(24)	14	(2)
Other services / Outstanding balances	8	-	2	-
Total	4 529	(50)	34	(5 675)

Including:

Non-current			14	(4 582)
Current			20	(25)
Deferred income			-	(1 068)
Total			34	(5 675)

	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	6 364	-	21	(1 520)
Technical management fee				
IT services / Outstanding balances	68	-	4	-
Interest income/(expense) / Outstanding balances	-	(10)	-	(6 520)
Consulting services / Outstanding balances	-	(27)	-	(33)
Real estate rent / Outstanding balances	-	(34)	20	(3)
Other services / Outstanding balances	11	-	3	-
Total	6 443	(71)	48	(8 076)

Including:

Non-current			20	(6 520)
Current			28	(36)
Deferred income			-	(1 520)
Total			48	(8 076)

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.