

LSC: Business update, Dec 8, 2011

Business overview

- One of the leading owners in the handy-size and medium-range tanker segment
- LSC is currently placed in 9th position globally in terms of size of fleet out of the top 50 owners in our market segment
- Fleet consists of 20 modern double hulled ice strengthened tankers capable of carrying cargoes to **all areas of the world:**
 - 12 medium-range (52,000 DwT)
 - 7 handy-sized (37,000 DwT)
 - 1 panamax tanker (68,000 DwT)
- LSC fleet has contracted average future employment terms of approximately 12 months
- The Management Board – people with significant experience in shipping industry
- Approximately 760 seagoing personnel with over 90% being Latvian nationals
- Approximately 70 shore based staff in the Riga head office
- Own internal technical-crew management company

Business update

- In 2011 two newbuild medium range tankers were delivered from Hyundai Mipo shipyard in Korea, named Latgale and Zemgale (this continues tradition of naming vessels after places in Latvia)
- Focus on reducing operating/administrative expenses and improving the efficiency of LSC. Part of this process was to relocate Latvian ship management to head office
- Significant progress made with syndicated banks on restructuring/refinancing LSCs existing debt facility, securing its long-term future
- No middle parties used for chartering ships
- Strengthened and active internal audit department



Vessels

- Vessels names
- Vessels courses
- Vessels speed vectors
- Tracks directions
- Tracks as GC arcs

- Fleet Info
- All vessels
 - Ainazi
 - Ance
 - Jurkalne
 - Kaltene
 - Kandava
 - Kazdanga
 - Kolka
 - Kraslava
 - Krisjanis Valdema
 - Kuldiga
 - Latgale
 - Piltene
 - Puze
 - Riga
 - Salacgriva
 - Targale
 - Ugale



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Marine charts

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- Navigation icons: Home, Back, Forward, Stop, Refresh, Print, Full Screen

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Marine charts

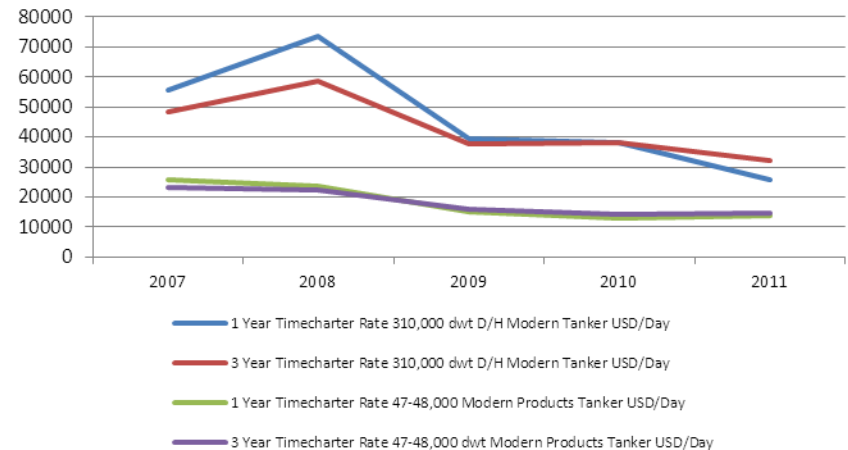
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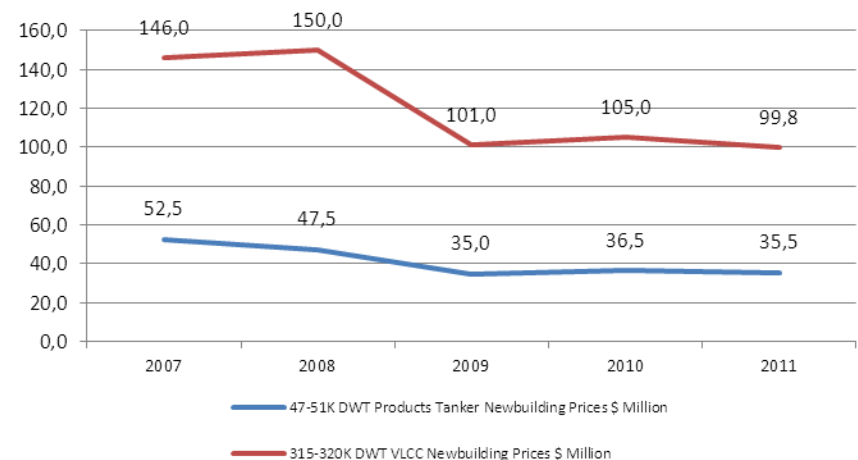
LSC: Market update

- Prior to 2008 the strong global economic environment increased demand for shipping and this encouraged the construction of new tankers
- More recently the global economy has weakened creating less demand. At the same time the number of tankers has increased, the consequence of this has been decreased earnings for shipowners
- Shipowners in all market segments are facing a very uncertain future with many owners faced with bankruptcy (ie Frontline, Torm, Genmar and Omega are all currently experiencing severe liquidity problems)
- LSC has been exposed to these difficult conditions, however LSC has been cushioned from the worst effects
- There are now signs of stability with less product tankers being built due to economic factors
- 18% of the medium range product tanker fleet is now over 15 years of age and environmental pressures will make these vessels obsolete very quickly
- New refinery capacity in the eastern hemisphere and continued closure of uneconomic capacity in western hemisphere will increase ton tonnage miles
- An expected dislocation of supply/demand to fuel economic growth in emerging economies is expected to increase demand for product tankers

Time charter rates (\$/day)



Newbuild prices (\$mm)

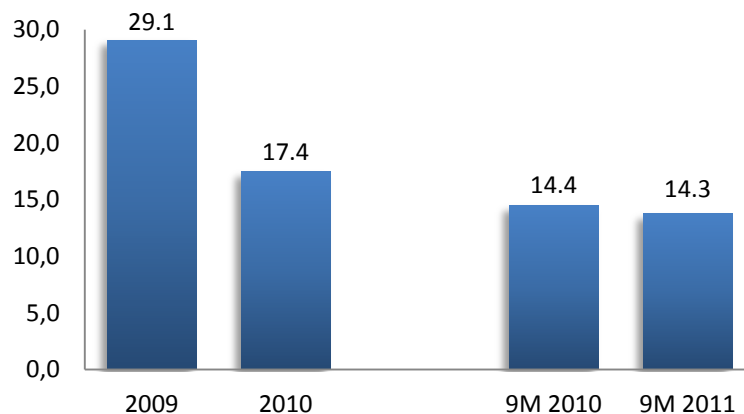


LSC: Financial performance

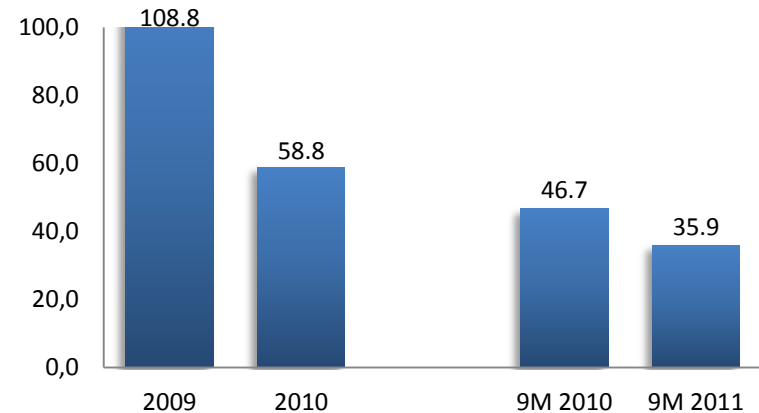
Commentary

- Sales revenue in 9M 2011 declined 23% to L35.9mm as seven old product tankers were sold during 2010 together with a re-emphasis from the spot market to time charters.
- Gross profit was maintained in 9M 2011 versus 2010 in spite of challenging market situation and historically low chartering rates.
- Net Income (pre-exceptionals) losses reduced from L15.1mm to L8.6mm as administrative costs were reduced significantly.

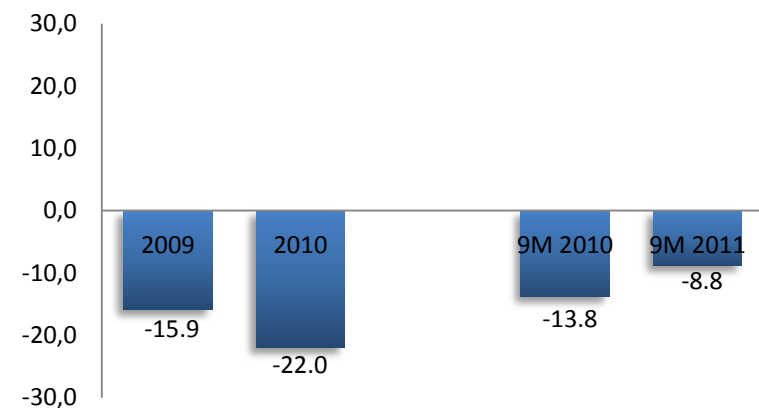
Gross Profit (LVLmm)



Revenue (LVLmm)



Net Income – Pre-Exceptionals (LVLmm)



LSC: Strategy update

- To provide the company with a stable management in order to ensure the long term sustainability of LSC
- To raise standards of corporate governance
- To continue to take advantage of opportunities to enter into longer-term contracts to ensure a stable future income flow for the company
- To continue to concentrate our efforts on developing a strong niche in the product tanker market and developing a wider and stronger client base
- To continue to improve the economic efficiency of the company
- To continue to strive for the highest levels of safety for the Latvian shipping fleet and its Latvian seagoing personnel
- To increase shareholder value