

PUBLIC JOINT STOCK COMPANY

LATVIAN SHIPPING COMPANY  
AND ITS SUBSIDIARIES

**UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE SIX MONTH PERIOD ENDED**

**30 JUNE 2005**



**LATVIJAS KUĢNIECĪBA**

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated  
Financial Statements for the six month period ended 30 June 2005**

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**INFORMATION ON PARENT COMPANY**

***THE COUNCIL***

<b>Chairman of the Council</b>	Uldis Pumpurs (from 11.02.2005)
<b>Deputy Chairperson of the Council</b>	Andris Linužs (from 11.02.2005) Olga Pētersone (from 11.02.2005) Ģirts Rungainis (until 11.02.2005)
<b>Members of the Council:</b>	Vladimirs Solomatins Aldis Āķis ( from 11.02.2005) Ansis Sormulis (from 11.02.2005) Laimonis Junkers (from 11.02.2005) Mamerts Vaivads (from 11.02.2005) Pēteris Putniņš (from 11.02.2005) Vladimirs Krastiņš (from 11.02.2005) Egīls Kietis (until 11.02.2005) Elena Makarova (until 11.02.2005) Harijs Ilmārs Bondars (until 11.02.2005) Oļegs Stepanovs (until 11.02.2005)

***THE MANAGEMENT BOARD***

<b>Chairman of the Board of Directors LSC President</b>	Imants Vikmanis
<b>Vice President</b>	Valērijs Godunovs (until 14.02.2005)
<b>Members of the Board of Directors</b>	Guntis Tīrmanis (from 14.02.2005) Ilva Purēna (from 14.02.2005) Solvita Deglava (from 14.02.2005) Viktors Gavriļenko (from 14.02.2005) Alvis Akmens (until 14.02.2005) Aivars Enkuzens (until 14.02.2005)

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**MANAGEMENT REPORT**

**Line of Business**

The core business of JSC *Latvijas kuģniecība* (Latvian Shipping Company – LASCO) Group is transportation of cargoes by sea.

**Performance in the Reporting Period**

On 22 June 2005 the Commercial Register of the Republic of Latvia registered the changes in the Council and Management Board. The new LASCO Council was elected at the Extraordinary Shareholders Meeting on 11 February 2005. Following on 14 February 2005 new members of the Management Board were elected.

All LASCO shares are publicly traded and listed on the Official List of Riga Stock Exchange. In the second quarter of 2005 the Company's share price increased from LVL 0.66 to LVL 0.73. Compared to the beginning of the year LASCO share price has grown by 64%.

LASCO Group's Net Profit for the first six months of 2005 is USD 13.0 million (LVL 7.6 million). The Group's restated Net Profit for the respective period in 2004 is USD 4.7 million (LVL 2.8 million).

In the first half of 2005 LASCO Group's ROE (Return on Equity) is 3.6%, and EPS (Earnings per Share) – USD 0.06 (LVL 0.04).

As at the end of the period the Group's Shareholders Equity was USD 369.8 million (LVL 215.6 million) or USD 1.85 (LVL 1.08) per share, which is the highest level in the history of LASCO as a private company.

**The Fleet**

During the first six months of 2005 no changes took place in the composition of LASCO Group's fleet that comprises 40 vessels (32 product tankers, 2 LPG carriers, 5 reefer vessels and 1 Ro-Ro/general type vessel).

In the first half of 2005 all types of LASCO fleet operated with profit. The largest contribution (67%) to the Group's total Vessel Operating Profit was made by the Tanker Fleet. The LPG Fleet generated 21% of the total result. Vessel Operating Profit of the Reefer Fleet made up 11% of the Group's total Vessel Operating Profit, while that of the Dry Cargo Fleet – 1%.

Similar to the previous years, with the onset of summer there was a drop in LASCO tanker freight rates. However, on the average the rates were higher than in the respective period of 2004.

## **MANAGEMENT REPORT**

*Continued*

Freight rate seasonality in the Reefer segment is even more distinct. Still, compared to 2004 the rates of the reefer vessels continued to grow due to the ageing of the world fleet against the low newbuilding activity. The growth of freight rates was strong enough to offset the adverse impact of the rise in the bunker prices and enabled the Company not to lay-up the reefers for the first time in the past years.

### **Fleet Renewal Programme**

During the reporting period the implementation of LASCO Tanker Fleet Renewal Programme was continued. 14 newbuildings have been already ordered within the frames of the project: 10 tankers at *3.Maj* shipyard in Croatia and 4 tankers at *Hyundai Mipo Dockyard* in Korea.

To ensure the delivery of the vessels in accordance with the agreed schedule, steel cutting for the first of the ten vessels ordered at *3.Maj* was commenced on 22 June 2005. The first vessel is scheduled for delivery in early 2006.

The construction of four vessels ordered at *Hyundai Mipo Dockyard* is progressing according to the schedule, and they are planned for delivery at regular intervals during 2007.

Imants Vikmanis,  
Chairman of the Board of Directors  
*JSC Latvijas kuģniecība*

Riga, Latvia  
August 24, 2005

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated  
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***CONSOLIDATED INCOME STATEMENT***

	<b>30.06.2005 US \$'000</b>	<b>30.06.2004 US \$'000 (restated)</b>	<b>30.06.2005 LVL'000</b>	<b>30.06.2004 LVL'000 (restated)</b>
Voyage income	101 803	77 058	59 351	44 925
Voyage costs	(26 027)	(16 978)	(15 174)	(9 898)
<b>Net Voyage Results</b>	<b>75 776</b>	<b>60 080</b>	<b>44 177</b>	<b>35 027</b>
Vessel Operating costs	(37 748)	(36 433)	(22 007)	(21 240)
<b>Vessel Operating Result before Depreciation</b>	<b>38 028</b>	<b>23 647</b>	<b>22 170</b>	<b>13 787</b>
Vessel Depreciation	(13 465)	(11 214)	(7 850)	(6 538)
<b>Vessel Operating Profit</b>	<b>24 563</b>	<b>12 433</b>	<b>14 320</b>	<b>7 249</b>
Administration expenses	(7 846)	(6 427)	(4 574)	(3 747)
Gain/(loss) on sale of assets	(1)	2 132	(1)	1 243
<b>Operating Profit</b>	<b>16 716</b>	<b>8 138</b>	<b>9 745</b>	<b>4 745</b>
Net Financial Items	(3 726)	(3 408)	(2 172)	(1 987)
<b>Profit before Taxation</b>	<b>12 990</b>	<b>4 730</b>	<b>7 573</b>	<b>2 758</b>
Taxation	(12)	(22)	(7)	(13)
<b>Profit after Taxation</b>	<b>12 978</b>	<b>4 708</b>	<b>7 566</b>	<b>2 745</b>
Minority interest	-	10	-	6
<b>Net Profit</b>	<b>12 978</b>	<b>4 718</b>	<b>7 566</b>	<b>2 751</b>
<b>Earnings per share</b>	<b>US \$ 0,06</b>	<b>US \$ 0,02</b>	<b>LVL 0,04</b>	<b>LVL 0,01</b>

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated  
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***CONSOLIDATED BALANCE SHEET***

<u>ASSETS</u>	<b>30.06.2005</b> US \$'000	<b>31.12.2004</b> US \$'000	<b>30.06.2005</b> LVL'000	<b>31.12.2004</b> LVL'000
<u>NON-CURRENT ASSETS</u>				
Fleet	389 281	400 908	226 951	233 729
Other fixed assets	6 932	7 859	4 041	4 582
Assets under construction	45 876	30 683	26 746	17 889
Investments	58	64	34	37
<b>TOTAL NON-CURRENT ASSETS</b>	<b>442 147</b>	<b>439 514</b>	<b>257 772</b>	<b>256 237</b>
<u>CURRENT ASSETS</u>				
Inventories	5 907	6 175	3 443	3 600
Accounts receivable and prepayments	23 218	26 797	13 536	15 623
Available-for-sale investments	21 388	16 884	12 469	9 843
Bank and cash balances	65 936	56 445	38 441	32 907
<b>TOTAL CURRENT ASSETS</b>	<b>116 449</b>	<b>106 301</b>	<b>67 889</b>	<b>61 973</b>
<b>TOTAL ASSETS</b>	<b>558 596</b>	<b>545 815</b>	<b>325 661</b>	<b>318 210</b>
<u>SHAREHOLDERS' EQUITY &amp; LIABILITIES</u>				
<u>SHAREHOLDERS EQUITY</u>				
Share capital	362 319	362 319	200 000	200 000
Translation reserve	(14 096)	(12 762)	3 014	3 792
Retained earnings	21 604	8 626	12 595	5 029
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>369 827</b>	<b>358 183</b>	<b>215 609</b>	<b>208 821</b>
<u>NON-CURRENT LIABILITIES</u>				
Non-current portion of bank loans	143 286	151 964	83 536	88 595
Deferred income tax liabilities	4	5	2	3
Provisions	1 009	713	588	416
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>144 299</b>	<b>152 682</b>	<b>84 126</b>	<b>89 014</b>
<u>CURRENT LIABILITIES</u>				
Current portion of bank loans	17 357	17 357	10 119	10 119
Accounts payable	27 113	17 593	15 807	10 256
<b>TOTAL CURRENT LIABILITIES</b>	<b>44 470</b>	<b>34 950</b>	<b>25 926</b>	<b>20 375</b>
<b>TOTAL LIABILITIES</b>	<b>188 769</b>	<b>187 632</b>	<b>110 052</b>	<b>109 389</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>558 596</b>	<b>545 815</b>	<b>325 661</b>	<b>318 210</b>

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated  
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***CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'  
EQUITY***

	<b>Share Capital US \$ 000</b>	<b>Translation Reserve US \$ 000</b>	<b>Retained Earnings US \$ 000</b>	<b>Total US \$ 000</b>
Balance at 1st January 2004 (restated)	362 319	(13 557)	(62 735)	286 027
Net Profit for the period (restated)	-	-	4 718	4 718
Currency translation differences	-	(282)	-	(282)
<b>Balance at 30th June 2004 (restated)</b>	<b>362 319</b>	<b>(13 839)</b>	<b>(58 017)</b>	<b>290 463</b>
Net Profit for the period (restated)	-	-	66 643	66 643
Currency translation differences	-	1 077	-	1 077
Balance at 31st December 2004	362 319	(12 762)	8 626	358 183
Net Profit for the period	-	-	12 978	12 978
Currency translation differences	-	(1 334)	-	(1 334)
<b>Balance at 30th June 2005</b>	<b>362 319</b>	<b>(14 096)</b>	<b>21 604</b>	<b>369 827</b>

	<b>Share Capital LVL 000</b>	<b>Translation Reserve LVL 000</b>	<b>Retained Earnings LVL 000</b>	<b>Total LVL 000</b>
Balance at 1st January 2004 (restated)	200 000	3 329	(36 575)	166 754
Net Profit for the period (restated)	-	-	2 751	2 751
Currency translation differences	-	(164)	-	(164)
<b>Balance at 30th June 2004 (restated)</b>	<b>200 000</b>	<b>3 165</b>	<b>(33 824)</b>	<b>169 341</b>
Net Profit for the period (restated)	-	-	38 853	38 853
Currency translation differences	-	627	-	627
Balance at 31st December 2004	200 000	3 792	5 029	208 821
Net Profit for the period	-	-	7 566	7 566
Currency translation differences	-	(778)	-	(778)
<b>Balance at 30th June 2005</b>	<b>200 000</b>	<b>3 014</b>	<b>12 595</b>	<b>215 609</b>



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***CONSOLIDATED CASH FLOW STATEMENT***

	<b>30.06.2005</b> US \$'000	<b>30.06.2004</b> US \$'000	<b>30.06.2005</b> LVL'000	<b>30.06.2004</b> LVL'000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit before taxation</b>	<b>12 990</b>	<b>4 730</b>	<b>7 573</b>	<b>2 758</b>
<u>Adjustments for:</u>				
Depreciation	13 796	11 604	8 043	6 765
Profit on sale of fixed assets	1	(2 132)	1	(1 243)
Other adjustments	2 453	5 135	1 430	2 994
	<hr/> <b>29 240</b>	<hr/> <b>19 337</b>	<hr/> <b>17 047</b>	<hr/> <b>11 274</b>
<b>Movements in net working capital:</b>				
Inventories	268	(1 548)	156	(902)
Accounts receivable	6 520	2 186	3 801	1 274
Accounts payable	9 368	4 887	5 462	2 849
<b>Cash flow from Operating Activities</b>	<hr/> <b>45 396</b>	<hr/> <b>24 862</b>	<hr/> <b>26 466</b>	<hr/> <b>14 495</b>
Net Cash flow from Investing Activities	(27 226)	(130 279)	(15 873)	(75 953)
<b>Cash flow before Financing Activities</b>	<hr/> <b>18 170</b>	<hr/> <b>(105 417)</b>	<hr/> <b>10 593</b>	<hr/> <b>(61 458)</b>
Net Cash flow from Financing Activities	(8 679)	65 720	(5 059)	38 315
<b>Increase/(decrease) in Cash and Cash Equivalents</b>	<hr/> <b>9 491</b>	<hr/> <b>(39 697)</b>	<hr/> <b>5 534</b>	<hr/> <b>(23 143)</b>
<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	<b>56 445</b>	<b>78 548</b>	<b>32 907</b>	<b>45 793</b>
<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>65 936</b>	<b>38 851</b>	<b>38 441</b>	<b>22 650</b>

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***NOTES***

**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 & its Subsidiaries for the year ended 31 December 2004, which were prepared in accordance with International Financial Reporting Standards.

The condensed consolidated financial statements for the six month period ended 30 June 2005 are prepared in accordance with International Accounting Standard No.34 "Interim Financial Reporting".

During preparation of the 2004 annual report, management came to the conclusion that the accounting policy with respect to reversal of previously recognised impairment loss of the fleet was not correctly applied during the previous reporting period. The opening balance for 2004 was restated to reflect the corrections made. As a result the fleet net book value as at 1 January 2004 increased by USD 16 076 thousands or LVL 9 372 thousands. The reflection of this correction led to the increase of the fleet depreciation for the six month period ended 30 June 2004 by USD 660 thousands or LVL 385 thousands, and the decrease in net profit for the same period by the respective amount.

These condensed consolidated financial statements are prepared in US dollars and translated into the Latvian Lats using the rate of exchange stated by the Bank of Latvia as of 30 June 2005 US\$ 1.00=LVL 0.583.

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated Financial  
Statements for the six month period ended 30 June 2005**

**NOTES**

**2. Segment Information**

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.05 US \$'000	30.06.04 US \$'000 (restated)	30.06.05 US \$'000	30.06.04 US \$'000 (restated)	30.06.05 US \$'000	30.06.04 US \$'000	30.06.05 US \$'000	30.06.04 US \$'000	30.06.05 US \$'000	30.06.04 US \$'000 (restated)
<b>Voyage income</b>	<b>80 491</b>	<b>58 282</b>	<b>11 650</b>	<b>9 610</b>	<b>8 561</b>	<b>5 407</b>	<b>1 101</b>	<b>3 759</b>	<b>101 803</b>	<b>77 058</b>
<b>Vessel Operating Profit/(Loss)</b>	<b>16 507</b>	<b>7 493</b>	<b>2 715</b>	<b>3 067</b>	<b>5 035</b>	<b>2 684</b>	<b>306</b>	<b>(811)</b>	<b>24 563</b>	<b>12 433</b>
Gain on sale of assets	-	2 145	-	-	-	-	-	-	-	2 145
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	(1)	(13)
<b>Segment result</b>	<b>16 507</b>	<b>9 638</b>	<b>2 715</b>	<b>3 067</b>	<b>5 035</b>	<b>2 684</b>	<b>306</b>	<b>(811)</b>	<b>24 562</b>	<b>14 565</b>
Unallocated administration expenses									(7 846)	(6 427)
<b>Operating Profit</b>									<b>16 716</b>	<b>8 138</b>
Net Financial Items									(3 726)	(3 408)
<b>Profit before Taxation</b>									<b>12 990</b>	<b>4 730</b>
Taxation									(12)	(22)
<b>Profit after Taxation</b>									<b>12 978</b>	<b>4 708</b>
Minority interest									-	10
<b>Net Profit</b>									<b>12 978</b>	<b>4 718</b>

**Latvian Shipping Company & its Subsidiaries Unaudited Condensed Consolidated Financial  
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**NOTES**

**2. Segment Information**

*(continued)*

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.05 US \$'000	30.06.04 US \$'000 (restated)	30.06.05 US \$'000	30.06.04 US \$'000 (restated)	30.06.05 US \$'000	30.06.04 US \$'000	30.06.05 US \$'000	30.06.04 US \$'000	30.06.05 US \$'000	30.06.04 US \$'000 (restated)
Segment assets	378 942	354 858	23 985	21 570	69 623	49 629	1 633	2 401	474 183	428 458
Unallocated assets									84 413	60 394
<b>Total assets</b>									<b>558 596</b>	<b>488 852</b>
Segment liabilities	158 790	162 613	1 714	1 430	25 087	30 748	105	353	185 696	195 144
Unallocated liabilities									3 073	3 243
<b>Total liabilities</b>									<b>188 769</b>	<b>198 387</b>
<b>Other segment information</b>										
Investments in vessels	22 381	6 566	-	349	250	-	-	453	22 631	7 368
Depreciation	10 301	8 825	1 165	1 040	1 844	1 194	155	155	13 465	11 214
Drydocking deferred expenditure depreciation	3 019	5 351	111	227	14	187	93	46	3 237	5 811

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**NOTES**

**2. Segment Information (continued)**

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.05 LVL'000	30.06.04 LVL'000 (restated)	30.06.05 LVL'000	30.06.04 LVL'000 (restated)	30.06.05 LVL'000	30.06.04 LVL'000	30.06.05 LVL'000	30.06.04 LVL'000	30.06.05 LVL'000	30.06.04 LVL'000 (restated)
<b>Voyage income</b>	<b>46 926</b>	<b>33 978</b>	<b>6 792</b>	<b>5 603</b>	<b>4 991</b>	<b>3 152</b>	<b>642</b>	<b>2 191</b>	<b>59 351</b>	<b>44 925</b>
<b>Vessel Operating Profit/(Loss)</b>	<b>9 624</b>	<b>4 368</b>	<b>1 583</b>	<b>1 788</b>	<b>2 935</b>	<b>1 565</b>	<b>178</b>	<b>(473)</b>	<b>14 320</b>	<b>7 249</b>
Gain on sale of assets	-	1 251	-	-	-	-	-	-	-	1 251
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	(1)	(8)
<b>Segment result</b>	<b>9 624</b>	<b>5 619</b>	<b>1 583</b>	<b>1 788</b>	<b>2 935</b>	<b>1 565</b>	<b>178</b>	<b>(473)</b>	<b>14 319</b>	<b>8 492</b>
Unallocated administration expenses									(4 574)	(3 747)
<b>Operating Profit</b>									<b>9 745</b>	<b>4 745</b>
Net Financial Items									(2 172)	(1 987)
<b>Profit before Taxation</b>									<b>7 573</b>	<b>2 758</b>
Taxation									(7)	(13)
<b>Profit after Taxation</b>									<b>7 566</b>	<b>2 745</b>
Minority interest									-	6
<b>Net Profit for the Year</b>									<b>7 566</b>	<b>2 751</b>

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**NOTES**

**2. Segment Information**

*(continued)*

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.05 LVL'000	30.06.04 LVL'000 (restated)	30.06.05 LVL'000	30.06.04 LVL'000 (restated)	30.06.05 LVL'000	30.06.04 LVL'000	30.06.05 LVL'000	30.06.04 LVL'000	30.06.05 LVL'000	30.06.04 LVL'000 (restated)
Segment assets	220 923	206 882	13 983	12 575	40 590	28 934	952	1 400	276 449	249 791
Unallocated assets									49 212	35 210
<b>Total assets</b>									<b>325 661</b>	<b>285 001</b>
Segment liabilities	92 575	94 803	999	834	14 626	17 926	61	206	108 261	113 769
Unallocated liabilities									1 791	1 891
<b>Total liabilities</b>									<b>110 052</b>	<b>115 660</b>
<b>Other segment information</b>										
Investments in vessels	13 048	3 829	-	203	146	-	-	264	13 194	4 296
Depreciation	6 005	5 145	679	606	1 075	696	90	90	7 850	6 538
Drydocking deferred expenditure depreciation	1 760	3 120	65	132	8	109	54	27	1 887	3 388

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***NOTES***

**Contact person with respect to information presented in these financial statements**

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