

**Public Joint Stock Company
Latvian Shipping Company
and it's Subsidiaries**

Unaudited Condensed Consolidated Financial Statements

**for the nine month period ended
30 September 2005**



Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONTENTS

Information on parent company	3
Management report	4
Consolidated income statement	6
Consolidated balance sheet	7
Consolidated statement of changes in shareholders' equity	8
Consolidated cash flow statement	10
Notes	11

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

INFORMATION ON PARENT COMPANY

THE COUNCIL

Chairman of the Council	Uldis Pumpurs (from 11.02.2005)
Deputy Chairperson of the Council	Andris Linužs (from 11.02.2005) Olga Pētersone (from 11.02.2005) Ģirts Rungainis (until 11.02.2005)
Members of the Council:	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

Chairman of the Management Board	Imants Vikmanis
Vice President	Valērijs Godunovs (until 14.02.2005)
Members of the Management Board	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)

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

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 third quarter of 2005 the Company's share price increased from LVL 0.73 to LVL 0.99. Compared to the beginning of the year LASCO share price has grown more than twice.

LASCO Group's Net Profit for the first nine months of 2005 is USD 20.7 million (LVL 12.1 million, EUR 17.2 million). The Group's restated Net Profit for the respective period in 2004 is USD 9.7 million (LVL 5.7 million, EUR 8.1 million).

In the nine months of 2005 LASCO Group's ROE (Return on Equity) is 5.8%, and EPS (Earnings per Share) – USD 0.10 (LVL 0.06, EUR 0.09).

As at the end of the period the Group's Shareholders Equity was USD 377.5 million (LVL 220.1 million, EUR 313.2 million) or USD 1.89 (LVL 1.10, EUR 1.57) per share, which is the highest level in the history of LASCO as a private company.

The Fleet

During the nine 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 nine months of 2005 all types of LASCO fleet operated with profit. The largest contribution (74%) 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 4% 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 traditional drop in the tanker freight rates. A short-term however considerable rise in the tanker freight rates was caused by unfavourable weather conditions in the Gulf of Mexico, where 25 percent of US refineries have been damaged by several hurricanes. On the average the rates were slightly higher than in the respective period of the previous year.

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

MANAGEMENT REPORT

Continued

The rates in the reefer segment, where freight rate seasonality is even more distinct, were on the same level as in the previous year. In the period most of the reefer vessels underwent scheduled repairs, and one reefer was in lay-up.

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 2 of the ten vessels ordered at *3.Maj* shipyard was commenced during nine months of 2005. The first vessel is scheduled for delivery in July 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
November 29, 2005

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONSOLIDATED INCOME STATEMENT

	30.09.2005 US \$'000	30.09.2004 US \$'000 (restated)	30.09.2005 LVL'000	30.09.2004 LVL'000 (restated)	30.09.2005 EUR'000	30.09.2004 EUR'000 (restated)
Voyage income	148 534	121 908	86 595	71 072	123 215	101 127
Voyage costs	(37 332)	(29 905)	(21 764)	(17 434)	(30 968)	(24 807)
Net Voyage Results	111 202	92 003	64 831	53 638	92 247	76 320
Vessel Operating costs	(53 756)	(52 832)	(31 340)	(30 801)	(44 593)	(43 826)
Vessel Operating Result before Depreciation	57 446	39 171	33 491	22 837	47 654	32 494
Vessel Depreciation	(20 198)	(17 721)	(11 775)	(10 331)	(16 755)	(14 700)
Vessel Operating Profit	37 248	21 450	21 716	12 506	30 899	17 794
Administration expenses	(11 521)	(9 126)	(6 717)	(5 320)	(9 557)	(7 570)
Gain/(loss) on sale of assets	11	2 131	6	1 242	9	1 768
Operating Profit	25 738	14 455	15 005	8 428	21 351	11 992
Net Financial Items	(4 983)	(4 696)	(2 905)	(2 738)	(4 134)	(3 896)
Profit before Taxation	20 755	9 759	12 100	5 690	17 217	8 096
Taxation	(18)	(22)	(10)	(13)	(15)	(18)
Profit after Taxation	20 737	9 737	12 090	5 677	17 202	8 078
Minority interest	-	10	-	6	-	8
Net Profit	20 737	9 747	12 090	5 683	17 202	8 086
Earnings per share	US \$ 0,10	US \$ 0,05	LVL 0,06	LVL 0,03	EUR 0,09	EUR 0,04

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
<i>NON-CURRENT ASSETS</i>						
Fleet	380 872	400 908	222 048	233 729	315 948	332 569
Other fixed assets	6 077	7 859	3 543	4 582	5 042	6 519
Assets under construction	52 521	30 683	30 620	17 889	43 568	25 453
Investments	58	64	34	37	48	53
Receivables	198	-	115	-	164	-
TOTAL NON-CURRENT ASSETS	439 726	439 514	256 360	256 237	364 770	364 594
<i>CURRENT ASSETS</i>						
Inventories	6 599	6 175	3 847	3 600	5 474	5 122
Accounts receivable and prepayments	30 661	26 797	17 876	15 623	25 434	22 229
Available-for-sale investments	18 777	16 884	10 947	9 843	15 576	14 007
Bank and cash balances	68 904	56 445	40 171	32 907	57 159	46 823
TOTAL CURRENT ASSETS	124 941	106 301	72 841	61 973	103 643	88 181
TOTAL ASSETS	564 667	545 815	329 201	318 210	468 413	452 775
<u>SHAREHOLDERS' EQUITY & LIABILITIES</u>						
<i>SHAREHOLDERS EQUITY</i>						
Share capital	362 319	362 319	200 000	200 000	284 576	284 576
Translation reserve	(14 188)	(12 762)	2 960	3 792	4 212	5 395
Retained earnings	29 363	8 626	17 119	5 029	24 358	7 156
TOTAL SHAREHOLDERS' EQUITY	377 494	358 183	220 079	208 821	313 146	297 127
<i>NON-CURRENT LIABILITIES</i>						
Non-current portion of bank loans	139 946	151 964	81 589	88 595	116 091	126 061
Deferred income tax liabilities	4	5	2	3	3	4
Provisions	963	713	561	416	799	591
TOTAL NON-CURRENT LIABILITIES	140 913	152 682	82 152	89 014	116 893	126 656
<i>CURRENT LIABILITIES</i>						
Current portion of bank loans	17 357	17 357	10 119	10 119	14 398	14 398
Accounts payable	28 903	17 593	16 851	10 256	23 976	14 594
TOTAL CURRENT LIABILITIES	46 260	34 950	26 970	20 375	38 374	28 992
TOTAL LIABILITIES	187 173	187 632	109 122	109 389	155 267	155 648
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	564 667	545 815	329 201	318 210	468 413	452 775

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital US \$ 000	Translation Reserve US \$ 000	Retained Earnings US \$ 000	Total US \$ 000
Balance at 1st January 2004 (restated)	362 319	(13 557)	(62 735)	286 027
Net Profit for the period (restated)	-	-	9 747	9 747
Currency translation differences	-	(350)	-	(350)
Balance at 30th September 2004 (restated)	362 319	(13 907)	(52 988)	295 424
Net Profit for the period (restated)	-	-	61 614	61 614
Currency translation differences	-	1 145	-	1 145
Balance at 31st December 2004	362 319	(12 762)	8 626	358 183
Net Profit for the period	-	-	20 737	20 737
Currency translation differences	-	(1 426)	-	(1 426)
Balance at 30th September 2005	362 319	(14 188)	29 363	377 494
	Share Capital LVL 000	Translation Reserve LVL 000	Retained Earnings LVL 000	Total LVL 000
Balance at 1st January 2004 (restated)	200 000	3 329	(36 575)	166 754
Net Profit for the period (restated)	-	-	5 683	5 683
Currency translation differences	-	(205)	-	(205)
Balance at 30th September 2004 (restated)	200 000	3 124	(30 892)	172 232
Net Profit for the period (restated)	-	-	35 921	35 921
Currency translation differences	-	668	-	668
Balance at 31st December 2004	200 000	3 792	5 029	208 821
Net Profit for the period	-	-	12 090	12 090
Currency translation differences	-	(832)	-	(832)
Balance at 30th September 2005	200 000	2 960	17 119	220 079

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital EUR 000	Translation Reserve EUR 000	Retained Earnings EUR 000	Total EUR 000
Balance at 1st January 2004 (restated)	284 576	4 736	(52 041)	237 271
Net Profit for the period (restated)	-	-	8 086	8 086
Currency translation differences	-	(291)	-	(291)
Balance at 30th September 2004 (restated)	284 576	4 445	(43 955)	245 066
Net Profit for the period (restated)	-	-	51 111	51 111
Currency translation differences	-	950	-	950
Balance at 31st December 2004	284 576	5 395	7 156	297 127
Net Profit for the period	-	-	17 202	17 202
Currency translation differences	-	(1 183)	-	(1 183)
Balance at 30th September 2005	284 576	4 212	24 358	313 146

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

CONSOLIDATED CASH FLOW STATEMENT

	30.09.2005 US \$'000	30.09.2004 US \$'000	30.09.2005 LVL'000	30.09.2004 LVL'000	30.09.2005 EUR'000	30.09.2004 EUR'000
Profit before taxation	20 755	9 759	12 100	5 690	17 217	8 096
<u>Adjustments for:</u>						
Depreciation	20 686	18 296	12 060	10 667	17 160	15 177
Profit on sale of fixed assets	(11)	(2 131)	(6)	(1 242)	(9)	(1 768)
Other adjustments	4 148	12 456	2 418	7 261	3 441	10 333
	45 578	38 380	26 572	22 376	37 809	31 838
Movements in net working capital:						
Inventories	(424)	(1 878)	(247)	(1 095)	(352)	(1 558)
Accounts receivable	(234)	2 843	(137)	1 657	(194)	2 358
Accounts payable	10 303	(403)	6 007	(235)	8 547	(334)
Cash flow from Operating Activities	55 223	38 942	32 195	22 703	45 810	32 304
Net Cash flow from Investing Activities	(30 746)	(136 019)	(17 925)	(79 299)	(25 505)	(112 833)
Cash flow before Financing Activities	24 477	(97 077)	14 270	(56 596)	20 305	(80 529)
Net Cash flow from Financing Activities	(12 018)	62 381	(7 006)	36 368	(9 969)	51 747
Increase/(decrease) in Cash and Cash Equivalents	12 459	(34 696)	7 264	(20 228)	10 336	(28 782)
Cash and Cash Equivalents at the beginning of the reporting period	56 445	78 548	32 907	45 793	46 823	65 159
Cash and Cash Equivalents at the end of the reporting period	68 904	43 852	40 171	25 565	57 159	36 377

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the nine month period ended 30 September 2005

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 nine month period ended 30 September 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 or EUR 13 335 thousands. The reflection of this correction led to the increase of the fleet depreciation for the nine month period ended 30 September 2004 by USD 990 thousands or LVL 577 thousands or EUR 821 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 or Euros using the rate of exchange stated by the Bank of Latvia as of 30 September 2005 US\$ 1.00 = LVL 0.583, EUR 1.00 = LVL 0.7028

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the nine month period ended 30 September 2005

NOTES

2. SEGMENT INFORMATION

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 US \$'000	30.09.04 US \$'000 (restated)	30.09.05 US \$'000	30.09.04 US \$'000 (restated)	30.09.05 US \$'000	30.09.04 US \$'000	30.09.05 US \$'000	30.09.04 US \$'000	30.09.05 US \$'000	30.09.04 US \$'000 (restated)
Voyage income	119 066	97 488	14 626	11 740	13 212	8 298	1 630	4 382	148 534	121 908
Vessel Operating Profit/(Loss)	27 493	15 735	1 372	2 224	7 895	4 303	488	(812)	37 248	21 450
Gain on sale of assets	-	2 145	-	-	-	-	-	-	-	2 145
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	11	(14)
Segment result	27 493	17 880	1 372	2 224	7 895	4 303	488	(812)	37 259	23 581
Unallocated administration expenses									(11 521)	(9 126)
Operating Profit									25 738	14 455
Net Financial Items									(4 983)	(4 696)
Profit before Taxation									20 755	9 759
Taxation									(18)	(22)
Profit after Taxation									20 737	9 737
Minority interest									-	10
Net Profit									20 737	9 747

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

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 US \$'000	30.09.04 US \$'000 (restated)	30.09.05 US \$'000	30.09.04 US \$'000 (restated)	30.09.05 US \$'000	30.09.04 US \$'000	30.09.05 US \$'000	30.09.04 US \$'000	30.09.05 US \$'000	30.09.04 US \$'000 (restated)
Segment assets	379 969	352 652	24 276	20 921	70 690	49 363	1 593	1984	476 528	424 920
Unallocated assets									88 139	66 524
Total assets									564 667	491 444
Segment liabilities	156 805	163 490	1 815	913	23 632	29 271	152	207	182 404	193 881
Unallocated liabilities									4 769	2 138
Total liabilities									187 173	196 019
Other segment information										
Investments in vessels	25 704	37 369	427	392	247	-	-	453	26 378	38 214
Depreciation	15 452	14 138	1 748	1 560	2 766	1 791	232	232	20 198	17 721
Drydocking deferred expenditure depreciation	4 269	5 577	169	356	34	281	135	92	4 607	6 306

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the nine month period ended 30 September 2005

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 LVL'000 (restated)	30.09.04 LVL'000 (restated)	30.09.05 LVL'000	30.09.04 LVL'000 (restated)	30.09.05 LVL'000	30.09.04 LVL'000	30.09.05 LVL'000	30.09.04 LVL'000	30.09.05 LVL'000	30.09.04 LVL'000 (restated)
Voyage income	69 415	56 835	8 527	6 844	7 703	4 838	950	2 555	86 595	71 072
Vessel Operating Profit/(Loss)	16 028	9 173	800	1 297	4 603	2 509	285	(473)	21 716	12 506
Gain on sale of assets	-	1 250	-	-	-	-	-	-	-	1 250
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	6	(8)
Segment result	16 028	10 423	800	1 297	4 603	2 509	285	(473)	21 722	13 748
Unallocated administration expenses									(6 717)	(5 320)
Operating Profit									15 005	8 428
Net Financial Items									(2 905)	(2 738)
Profit before Taxation									12 100	5 690
Taxation									(10)	(13)
Profit after Taxation									12 090	5 677
Minority interest									-	6
Net Profit for the Year									12 090	5 683

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the nine month period ended 30 September 2005

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 LVL'000	30.09.04 LVL'000 (restated)	30.09.05 LVL'000	30.09.04 LVL'000 (restated)	30.09.05 LVL'000	30.09.04 LVL'000	30.09.05 LVL'000	30.09.04 LVL'000	30.09.05 LVL'000	30.09.04 LVL'000 (restated)
Segment assets	221 522	205 596	14 153	12 197	41 212	28 779	929	1 157	277 816	247 729
Unallocated assets									51 385	38 783
Total assets									329 201	286 512
Segment liabilities	91 418	95 315	1 058	532	13 777	17 065	89	121	106 342	113 033
Unallocated liabilities									2 780	1 246
Total liabilities									109 122	114 279
Other segment information										
Investments in vessels	14 985	21 786	249	229	144	-	-	264	15 378	22 279
Depreciation	9 008	8 243	1 019	909	1 613	1 044	135	135	11 775	10 331
Drydocking deferred expenditure depreciation	2 488	3 251	99	207	20	164	79	54	2 686	3 676

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the nine month period ended 30 September 2005

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 EUR'000	30.09.04 EUR'000 (restated)	30.09.05 EUR'000	30.09.04 EUR'000 (restated)	30.09.05 EUR'000	30.09.04 EUR'000	30.09.05 EUR'000	30.09.04 EUR'000	30.09.05 EUR'000	30.09.04 EUR'000 (restated)
Voyage income	98 770	80 869	12 133	9 739	10 960	6 884	1 352	3 635	123 215	101 127
Vessel Operating Profit/(Loss)	22 807	13 053	1 138	1 845	6 549	3 570	405	(674)	30 899	17 794
Gain on sale of assets	-	1 780	-	-	-	-	-	-	-	1 780
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	9	(12)
Segment result	22 807	14 833	1 138	1 845	6 549	3 570	405	(674)	30 908	19 562
Unallocated administration expenses									(9 557)	(7 570)
Operating Profit									21 351	11 992
Net Financial Items									(4 134)	(3 896)
Profit before Taxation									17 217	8 096
Taxation									(15)	(18)
Profit after Taxation									17 202	8 078
Minority interest									-	8
Net Profit for the Year									17 202	8 086

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

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.05 EUR'000	30.09.04 EUR'000 (restated)	30.09.05 EUR'000	30.09.04 EUR'000 (restated)	30.09.05 EUR'000	30.09.04 EUR'000	30.09.05 EUR'000	30.09.04 EUR'000	30.09.05 EUR'000	30.09.04 EUR'000 (restated)
Segment assets	315 200	292 538	20 138	17 355	58 640	40 949	1 321	1 646	395 299	352 488
Unallocated assets									73 114	55 184
Total assets									468 413	407 672
Segment liabilities	130 075	135 622	1 506	757	19 604	24 281	126	172	151 311	160 832
Unallocated liabilities									3 956	1 773
Total liabilities									155 267	162 605
Other segment information										
Investments in vessels	21 323	30 999	354	325	205	-	-	376	21 882	31 700
Depreciation	12 818	11 728	1 450	1 294	2 295	1 486	192	192	16 755	14 700
Drydocking deferred expenditure depreciation	3 542	4 627	140	294	28	233	112	76	3 822	5 230

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

NOTES

Contact person with respect to information presented in these financial statements

Marita Ozoliņa-Tumanovska
Head of PR Department
Phone: +371 7020120, 9287169
E-mail: ozolina@lsc.riga.lv