

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

Condensed Consolidated Financial Statements

for the year ended 31 December 2006



Latvian Shipping Company & its Subsidiaries
Condensed Consolidated Financial Statements
for the year ended 31 December 2006

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INFORMATION ON PARENT COMPANY

THE SUPERVISORY COUNCIL

Chairman of the Council	Uldis Pumpurs
Deputy Chairpersons of the Council	Andris Linužs Olga Pētersone
Members of the Council:	Vladimirs Solomatins Aldis Āķis Ansis Sormulis Laimonis Junkers Mamerts Vaivads Pēteris Putniņš Vladimirs Krastiņš

THE MANAGEMENT BOARD

Chairman of the Management Board	Imants Vikmanis
Member of the Management Board, First Vice President	Miks Ekbaums (from 07.11.2006)
Member of the Management Board, Vice President	Solvita Deglava
Members of the Management Board	Guntis Tīrmanis Ilva Purēna Viktors Gavriļenko (until 22.08.2006)

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CONSOLIDATED INCOME STATEMENT

	2006	2005
	EUR '000	EUR '000
Voyage income	164,957	167,647
Voyage costs	(46,412)	(43,426)
Net Voyage Result	118,545	124,221
Vessel Operating costs excluding voyage costs and depreciation	(68,954)	(56,514)
Vessel Operating Result before Depreciation	49,591	67,707
Vessel depreciation	(15,198)	(22,724)
Vessel Operating Profit	34,393	44,983
Vessel impairment reversal	-	2,070
Administration expenses	(13,876)	(13,950)
Other operational expenses	(715)	(3,605)
Gain / (loss) on sale of assets	11,963	(400)
Operating Profit	31,765	29,098
Interest income	3,128	2,392
Exchange rate loss	44	(1,213)
Interest expenses	(8,666)	(6,517)
Loss on disposal of subsidiary	-	-
Loss from associates	-	-
Other financial items	(525)	(618)
Net Financial Items	(6,019)	(5,956)
Profit before Taxation	25,746	23,142
Taxation	(18)	(19)
Net Profit for the Year	25,728	23,123
Earnings per share	EUR 0.13	EUR 0.12

These Financial Statements were approved by the Management Board on April 11, 2007
and signed on its behalf by

Imants Vikmanis
Chairman of the Management Board

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CONSOLIDATED BALANCE SHEET

	2006	2005
	EUR '000	EUR '000
<u>ASSETS</u>		
<i>LONG TERM ASSETS</i>		
Fleet	351,561	316,555
Other fixed assets	4,741	1,056
Investment properties	1,375	1,410
Assets under construction	54,449	50,426
Investments	19	20
Other financial assets	3,306	3,288
<i>TOTAL LONG TERM ASSETS</i>	415,451	372,755
<i>CURRENT ASSETS</i>		
Inventories	4,230	5,832
Accounts receivable and prepayments	17,001	19,983
Loans and receivables	36,604	-
Financial assets designated at fair value through profit or loss	9,112	15,589
Bank and cash balances	25,238	59,760
<i>TOTAL CURRENT ASSETS</i>	92,185	101,164
<i>TOTAL ASSETS</i>	507,636	473,919
<u>SHAREHOLDERS' EQUITY & LIABILITIES</u>		
<i>SHAREHOLDERS' EQUITY</i>		
Share capital	276,326	284,576
Translation reserve	(12,897)	9,371
Retained earnings	56,129	30,401
<i>TOTAL SHAREHOLDERS' EQUITY</i>	319,558	324,348
<i>NON-CURRENT LIABILITIES</i>		
Non-current portion of bank loans	127,540	112,824
Provision for deferred taxation	17	10
<i>TOTAL NON-CURRENT LIABILITIES</i>	127,557	112,834
<i>CURRENT LIABILITIES</i>		
Current portion of bank loans	37,906	14,484
Accounts payable and other liabilities	22,615	22,253
<i>TOTAL CURRENT LIABILITIES</i>	60,521	36,737
<i>TOTAL LIABILITIES</i>	188,078	149,571
<i>TOTAL SHAREHOLDER'S EQUITY & LIABILITIES</i>	507,636	473,919

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***CONSOLIDATED STATEMENT
OF CHANGES IN SHAREHOLDERS' EQUITY***

	Share Capital EUR 000	Translation Reserve EUR 000	Retained Earnings EUR 000	Total EUR 000
Balance at 31st December 2004	284,576	10,369	7,278	302,223
Net Profit for the year	-	-	23,123	23,123
Currency translation differences	-	(998)	-	(998)
Balance at 31st December 2005	284,576	9,371	30,401	324,348
Net Profit for the year	-	-	25,728	25,728
Currency translation differences	(8,250)	(22,268)	-	(30,518)
Balance at 31st December 2006	276,326	(12,897)	56,129	319,558

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CONSOLIDATED CASH FLOW STATEMENT

	2006	2005
	EUR '000	EUR '000
Profit before taxation	25,747	23,142
<u>Adjustments for :</u>		
Depreciation	15,725	23,248
(Profit) / loss on sale of fixed assets	(11,963)	400
Drydocking deferred expenditure depreciation	5,538	5,330
Vessels impairment reversal	-	(2,070)
Currency translation difference	(6,607)	1,042
Interest expense	8,666	6,517
Interest income	(3,128)	(2,392)
Change in fair value of financial assets designated at fair value through profit or loss	37	166
Gain on sale of investments	-	(78)
	34,015	55,305
Movement in net working capital – net of provisions		
Inventories	1,041	(622)
Accounts receivable	1,047	1,349
Accounts payable	2,347	6,569
	4,435	7,296
Cash Flow from Operations	38,450	62,601

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CONSOLIDATED CASH FLOW STATEMENT (continued)

	2006 EUR '000	2005 EUR '000
Cash Flow from Operations	38,450	62,601
Corporate income taxes paid	(11)	(16)
Net Cash Flow from Operating Activities	38,439	62,585
Investing Activities		
Purchase of fleet	(66,329)	-
Purchase of other fixed assets	(2,160)	(546)
Prepaid financial expenses	(1,527)	-
Purchase of financial assets designated at fair value through profit or loss	-	(4,681)
Settlement of financial assets designated at fair value through profit or loss	5,342	2,035
Proceeds on sale of subsidiary	-	108
Proceeds on sale of non-current assets	16,226	3,125
Loans and receivables	(36,604)	-
Drydock expenditure	(7,546)	(4,266)
Assets under construction and on order	(25,336)	(24,536)
Interest received	2,073	2,161
Net Cash Flow from Investing Activities	(115,861)	(26,600)
Cash Flow before Financing Activities	(77,422)	35,985
Financing Activities		
Bank loans received	65,646	-
Bank loans repaid	(14,229)	(14,646)
Interest paid on loans	(8,517)	(9,206)
Net Cash Flow from Financing Activities	(42,900)	(23,852)
(Decrease)/increase in Cash and Cash Equivalents	(34,522)	12,133
Cash and Cash Equivalents at 1st January:	59,760	47,627
Cash and Cash Equivalents at 31st December:	25,238	59,760

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NOTES

1. Accounting policies

These 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 2006, which were prepared in accordance with International Financial Reporting Standards.

Detailed accounting policies and notes disclosing the items of the consolidated income statement and the consolidated balance sheet form the part of the above mentioned consolidated financial statements.

The functional currency of Latvian Shipping Company Group is EUR. These condensed consolidated financial statements are translated in Euros using the rate of exchange stated by the Bank of Latvia as of 31.12.2006: 1 EUR = 0.76266 EUR (31.12.2005: 1 EUR = 0.84377 EUR).

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NOTES

2. SEGMENT INFORMATION

	Tankers		Reefers		LPG		Dry Cargo		Total	
	2006 EUR' 000	2005 EUR' 000	2006 EUR' 000	2005 EUR' 000	2006 EUR' 000	2005 EUR' 000	2006 EUR' 000	2005 EUR' 000	2006 EUR' 000	2005 EUR' 000
Voyage income	136,472	136,444	11,779	15,572	14,725	13,719	1,981	1,912	164,957	167,647
Voyage costs	(42,031)	(35,506)	(4,260)	(7,387)	(8)	(31)	(113)	(502)	(46,412)	(43,426)
Net voyage result	94,441	100,938	7,519	8,185	14,717	13,688	1,868	1,410	118,545	124,221
Vessel operating costs	(58,265)	(46,531)	(6,293)	(5,738)	(2,737)	(3,184)	(1,659)	(1,061)	(68,954)	(56,514)
Vessel depreciation	(11,404)	(17,383)	(1,157)	(1,967)	(2,637)	(3,112)	-	(262)	(15,198)	(22,724)
Vessel Operating profit	24,772	37,024	69	480	9,343	7,392	209	87	34,393	44,983
Vessel impairment reversal	-	-	-	2,070	-	-	-	-	-	2,070
Gain on sale of assets	11,940	-	-	-	-	-	-	-	11,940	-
Unallocated loss on sale of assets	-	-	-	-	-	-	-	-	23	(400)
Segment result	36,712	37,024	69	2,550	9,343	7,392	209	87	46,356	46,653
Unallocated corporate expenses									(13,876)	(13,950)
Other operational expenses									(715)	(3,605)
Operating profit									31,765	29,098
Net Financial Items									(6,019)	(5,956)
Profit before Taxation									25,746	23,142
Taxation									(18)	(19)
Net Profit									25,728	23,123

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NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.12.06 EUR' 000	31.12.05 EUR' 000	31.12.06 EUR' 000	31.12.05 EUR' 000	31.12.06 EUR' 000	31.12.05 EUR' 000	31.12.06 EUR' 000	31.12.05 EUR' 000	31.12.06 EUR' 000	31.12.05 EUR' 000
ASSETS										
Segment assets	367,273	316,902	17,601	21,162	50,446	57,416	1,344	1,661	436,664	397,141
Unallocated assets									70,972	76,778
Total assets									507,636	473,919
LIABILITIES										
Segment liabilities	172,360	123,575	809	547	12,241	18,821	246	144	185,656	143,087
Unallocated liabilities									2,422	6,484
Total liabilities									188,078	149,571
Other segment information										
Investments in vessels	99,508	27,390	356	505	-	317	323	-	100,187	28,212
Depreciation	11,404	17,383	1,157	1,967	2,637	3,112	-	262	15,198	22,724
Drydocking deferred expenditure depreciation	4,926	4,909	370	219	120	52	122	150	5,538	5,330

