

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

Unaudited Condensed Consolidated Financial Statements

for the 1st quarter 2006



Latvian Shipping Company & its Subsidiaries
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INFORMATION ON PARENT COMPANY

THE SUPERVISORY 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)
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)

THE MANAGEMENT BOARD

Chairman of the Management Board	Imants Vikmanis
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)

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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

In the reporting period, the Group commenced the development of JSC *Latvijas kuģniecība* Strategic Plan to the year 2015.

All LASCO shares are publicly traded and listed on the Official List of Riga Stock Exchange. In the first quarter of 2006, the Company's share price decreased from LVL 1.30 to LVL 1.11 per share.

LASCO Group's unaudited Net Profit for the first three months ended 31 March 2006 is USD 10.2 million (LVL 6.0 million, EUR 8.5 million). The Group's Net Profit for respective period of 2005 was USD 12.4 million (LVL 6.6 million, EUR 9.6 million).

As at the end of the period JSC *Latvijas kuģniecība* Unaudited Shareholders' Equity was USD 394.8 million (LVL 229.8 million, EUR 327.0 million) or USD 1.97 (LVL 1.15 million, EUR 1.64 million) per share, which is the highest level in the history of *LASCO* as a private company.

The Fleet

During the reporting period, 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 quarter of 2006, *spot* rates in the tanker market dropped by approximately 20 to 30% compared to the previous year. In their turn, *time charter* rates remained on the level similar to that observed in the respective period of 2005. The situation can be explained by the growth of the world tonnage and stronger competition. Time charter rates are so far driven by the market participants' optimistic sentiment, as well as by high fixed assets prices.

In the reporting period, *LASCO*'s LPG carriers continued to be successfully employed by *ScandiGas Pool*. Their Voyage Income for the first quarter of 2006 increased as compared to the respective period of 2005.

In the first quarter of 2006, freight rates in the reefer market dropped by more than 27% compared to the first quarter of 2005. It can be explained by an especially low freight market at the turn of 2005, the commencement point for voyages completed in the first quarter of 2006.

The Group's only Ro-Ro/general type vessel was employed in time charter pursuant to the previously signed Time Charter Agreement.

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MANAGEMENT REPORT

Continued

Tanker Fleet Renewal Programme

In the first quarter of 2006, 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.

The launching of m/v “Ance” (the first out of ten newbuildings ordered at *3.Maj*) took place on 25 February 2006. Its delivery is scheduled for 1 July 2006.

The construction of the 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 Management Board
JSC Latvijas kuģniecība

Riga, Latvia
30 May 2006

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CONSOLIDATED INCOME STATEMENT

	<u>31.03.2006</u> US \$'000	<u>31.03.2005</u> US \$'000	<u>31.03.2006</u> LVL'000	<u>31.03.2005</u> LVL'000	<u>31.03.2006</u> EUR'000	<u>31.03.2006</u> EUR'000
Voyage income	56 112	53 391	32 794	28 551	46 467	41 251
Voyage costs	<u>(15 885)</u>	<u>(12 839)</u>	<u>(9 284)</u>	<u>(6 866)</u>	<u>(13 154)</u>	<u>(9 920)</u>
Net Voyage Results	40 227	40 552	23 510	21 685	33 313	31 331
Vessel Operating costs excluding voyage costs and depreciation	<u>(19 965)</u>	<u>(16 782)</u>	<u>(11 668)</u>	<u>(8 974)</u>	<u>(16 534)</u>	<u>(12 966)</u>
Vessel Operating Result before Depreciation	20 262	23 770	11 842	12 711	16 779	18 365
Vessel Depreciation	<u>(4 762)</u>	<u>(6 733)</u>	<u>(2 783)</u>	<u>(3 600)</u>	<u>(3 943)</u>	<u>(5 202)</u>
Vessel Operating Profit	15 500	17 037	9 059	9 111	12 836	13 163
Administration expenses	(3 587)	(2 798)	(2 097)	(1 497)	(2 971)	(2 162)
Gain on sale of assets	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Operating Profit	11 914	14 239	6 963	7 614	9 866	11 001
Net Financial Items	<u>(1 661)</u>	<u>(1 826)</u>	<u>(971)</u>	<u>(976)</u>	<u>(1 375)</u>	<u>(1 411)</u>
Profit before Taxation	10 253	12 413	5 992	6 638	8 491	9 590
Taxation	<u>(5)</u>	<u>(4)</u>	<u>(3)</u>	<u>(2)</u>	<u>(4)</u>	<u>(3)</u>
Net Profit	10 248	12 409	5 989	6 636	8 487	9 587
Earnings per share	US \$ 0,05	US \$ 0,06	LVL 0,03	LVL 0,03	EUR 0,04	EUR 0,05

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CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	31.03.2006	31.12.2005	31.03.2006	31.12.2005	31.03.2006	31.12.2005
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
<i>NON-CURRENT ASSETS</i>						
Fleet	369 981	375 168	215 329	222 475	306 387	316 555
Other fixed assets	2 972	2 922	1 730	1 733	2 462	2 466
Assets under construction	69 382	59 763	40 380	35 439	57 456	50 426
Investments	24	24	14	14	20	20
Other financial assets	4 270	3 897	2 485	2 311	3 536	3 288
<i>TOTAL NON-CURRENT ASSETS</i>	446 629	441 774	259 938	261 972	369 861	372 755
<i>CURRENT ASSETS</i>						
Inventories	7 941	6 912	4 622	4 099	6 576	5 832
Accounts receivable and prepayments	24 643	23 683	14 342	14 044	20 407	19 983
Financial assets designated at fair value through profit or loss	16 774	18 476	9 762	10 956	13 890	15 589
Bank and cash balances	78 609	70 824	45 750	41 999	65 097	59 760
<i>TOTAL CURRENT ASSETS</i>	127 967	119 895	74 476	71 098	105 970	101 164
TOTAL ASSETS	574 596	561 669	334 414	333 070	475 831	473 919
<i>SHAREHOLDERS' EQUITY & LIABILITIES</i>						
<i>SHAREHOLDERS EQUITY</i>						
Share capital	362 319	362 319	200 000	200 000	284 576	284 576
Translation reserve	(13 780)	(13 945)	3 704	7 864	3 488	9 371
Retained earnings	46 278	36 030	26 078	20 089	38 888	30 401
<i>TOTAL SHAREHOLDERS' EQUITY</i>	394 817	384 404	229 782	227 953	326 952	324 348
<i>NON-CURRENT LIABILITIES</i>						
Non-current portion of bank loans	134 525	133 714	78 294	79 292	111 403	112 824
Deferred tax liabilities	15	12	9	7	13	10
<i>TOTAL NON-CURRENT LIABILITIES</i>	134 540	133 726	78 303	79 299	111 416	112 834
<i>CURRENT LIABILITIES</i>						
Current portion of bank loans	18 033	17 166	10 495	10 179	14 933	14 484
Accounts payable and other liabilities	27 206	26 373	15 834	15 639	22 530	22 253
<i>TOTAL CURRENT LIABILITIES</i>	45 239	43 539	26 329	25 818	37 463	36 737
<i>TOTAL LIABILITIES</i>	179 779	177 265	104 632	105 117	148 879	149 571
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	574 596	561 669	334 414	333 070	475 831	473 919

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital US \$ 000	Translation Reserve US \$ 000	Retained Earnings US \$ 000	Total US \$ 000
Balance at 31st December 2004	362 319	(12 762)	8 626	358 183
Net Profit for the period	-	-	12 409	12 409
Currency translation differences	-	(362)	-	(362)
Balance at 31st March 2005	362 319	(13 124)	21 035	370 230
Net Profit for the period	-	-	14 995	14 995
Currency translation differences	-	(821)	-	(821)
Balance at 31st December 2005	362 319	(13 945)	36 030	384 404
Net Profit for the period	-	-	10 248	10 248
Currency translation differences	-	165	-	165
Balance at 31st March 2006	362 319	(13 780)	46 278	394 817
	Share Capital LVL 000	Translation Reserve LVL 000	Retained Earnings LVL 000	Total LVL 000
Balance at 31st December 2004	200 000	(19 788)	4 610	184 822
Net Profit for the period	-	-	6 636	6 636
Currency translation differences	-	9 577	-	9 577
Balance at 31st March 2005	200 000	(10 211)	11 246	201 035
Net Profit for the period	-	-	8 843	8 843
Currency translation differences	-	18 075	-	18 075
Balance at 31st December 2005	200 000	7 864	20 089	227 953
Net Profit for the period	-	-	5 989	5 989
Currency translation differences	-	(4 160)	-	(4 160)
Balance at 31st March 2006	200 000	3 704	26 078	229 782

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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 period	-	-	9 587	9 587
Currency translation differences	-	(25 761)	-	(25 761)
Balance at 31st March 2005	284 576	(15 392)	16 865	286 049
Net Profit for the period	-	-	13 536	13 536
Currency translation differences	-	24 763	-	24 763
Balance at 31st December 2005	284 576	9 371	30 401	324 348
Net Profit for the period	-	-	8 487	8 487
Currency translation differences	-	(5 883)	-	(5 883)
Balance at 31st March 2006	284 576	3 488	38 888	326 952

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CONSOLIDATED CASH FLOW STATEMENT

	31.03.2006 US \$'000	31.03.2005 US \$'000	31.03.2006 LVL'000	31.03.2005 LVL'000	31.03.2006 EUR'000	31.03.2005 EUR'000
Profit before taxation	10 253	12 413	5 992	6 638	8 491	9 445
Adjustments for:						
Depreciation	4 890	6 905	2 858	3 692	3 451	5 254
Profit on sale of fixed assets	(1)	-	(1)	-	(1)	-
Other adjustments	3 996	2 173	1 536	2 684	1 408	3 819
	19 138	21 491	10 385	13 014	13 349	18 518
Movements in net working capital:						
Inventories	(1 029)	777	(600)	416	(726)	591
Accounts receivable	(963)	(1 985)	(563)	(1 061)	(680)	(1 510)
Accounts payable	457	6 082	267	3 252	323	4 628
Cash flow from Operating Activities	17 603	26 365	9 489	15 621	12 266	22 227
Net Cash flow from Investing Activities	(9 583)	(23 258)	(5 601)	(12 437)	(6 763)	(17 697)
Cash flow before Financing Activities	8 020	3 107	3 888	3 184	5 503	4 530
Net Cash flow from Financing Activities	(235)	(3 339)	(137)	(1 786)	(166)	(2 541)
Increase/(decrease) in Cash and Cash Equivalents	7 785	(232)	3 751	1 398	5 337	1 989
Cash and Cash Equivalents at the beginning of the reporting period	70 824	56 445	41 999	29 126	59 760	41 443
Cash and Cash Equivalents at the end of the reporting period	78 609	56 213	45 750	30 524	65 097	43 432

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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 2005, which were prepared in accordance with International Financial Reporting Standards.

The condensed consolidated financial statements for the period ended 31 March 2006 are prepared in accordance with International Financial Reporting Standard No. 34 “Interim Financial Reporting”.

The Financial Statements are prepared in U.S. dollars which is the functional currency of the Group and Latvian lats which is the presentation currency of the Group in accordance with legislation of the Republic of Latvia.

Monetary assets and liabilities of the Group denominated in other currencies are translated into U.S. dollars at the rate of exchange prevailing at the end of the reporting period.

Foreign currency transactions are accounted for into U.S. dollars at the exchange rate prevailing at the date of the transaction.

Presentation of financial statements in Latvian lats is done using the exchange rate set by the Bank of Latvia in the following way: assets and liabilities are translated at the closing rate at the end of the reporting year, income and expenses for income statement are translated at the average exchange rates for the reporting year, whilst resulting exchange differences are recognised as a separate component of equity.

These financial statements are translated into euros using the rate of exchange set by the Bank of Latvia prevailing at the end of the reporting period.

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NOTES

2. SEGMENT INFORMATION

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
Voyage income	45 005	42 801	4 925	5 278	5 494	4 757	688	555	56 112	53 391
Vessel Operating profit	11 172	12 489	365	1 367	3 796	3 031	167	150	15 500	17 037
Segment result	11 172	12 489	365	1 367	3 796	3 031	167	150	15 501	17 037
Unallocated administration expenses									(3 587)	(2 798)
Operating profit									11 914	14 239
Net Financial Items									(1 661)	(1 826)
Profit before Taxation									10 253	12 413
Taxation									(5)	(4)
Net Profit									10 248	12 409

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
<u>ASSETS</u>										
Segment assets	385 738	386 114	25 460	23 932	68 517	71 204	990	1 682	480 705	482 932
Unallocated assets									93 891	78 159
Total assets									574 596	561 091
<u>LIABILITIES</u>										
Segment liabilities	149 886	157 506	1 471	1 940	20 747	26 297	411	89	172 515	185 832
Unallocated liabilities									7 264	5 029
Total liabilities									179 779	190 861
Other segment information										
Investments in vessels	9 613	16 201	-	-	-	-	-	-	9 613	16 201
Depreciation	3 517	5 151	379	583	866	922	-	77	4 762	6 733
Drydocking deferred expenditure depreciation	1 425	1 628	98	73	38	14	43	47	1 604	1 762

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006 LVL' 000	31.03.2005 LVL' 000	31.03.2006 LVL' 000	31.03.2005 LVL' 000	31.03.2006 LVL' 000	31.03.2005 LVL' 000	31.03.2006 LVL' 000	31.03.2005 LVL' 000	31.03.2006 LVL'000	31.03.2005 LVL' 000
Voyage income	26 302	22 888	2 878	2 822	3 211	2 544	403	297	32 794	28 551
Vessel Operating profit	6 531	6 679	213	731	2 218	1 621	97	80	9 059	9 111
Segment result	6 531	6 679	213	731	2 218	1 621	97	80	9 060	9 111
Unallocated administration expenses									(2 097)	(1 497)
Operating profit									6 963	7 614
Net Financial Items									(971)	(976)
Profit before Taxation									5 992	6 638
Taxation									(3)	(2)
Net Profit									5 989	6 636

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
<u>ASSETS</u>										
Segment assets	224 500	209 660	14 818	12 995	39 877	38 664	575	913	279 770	262 232
Unallocated assets									54 645	42 440
Total assets									334 415	304 672
<u>LIABILITIES</u>										
Segment liabilities	87 234	85 527	856	1 053	12 075	14 279	238	48	100 403	100 907
Unallocated liabilities									4 228	2 731
Total liabilities									104 631	103 638
Other segment information										
Investments in vessels	5 620	8 664	-	-	(2)	-	-	-	5 618	8 664
Depreciation	2 056	2 754	221	312	506	493	-	41	2 783	3 601
Drydocking deferred expenditure depreciation	829	884	57	40	22	7	25	26	933	957

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006 EUR' 000	31.03.2005 EUR' 000	31.03.2006 EUR' 000	31.03.2005 EUR' 000	31.03.2006 EUR' 000	31.03.2005 EUR' 000	31.03.2006 EUR' 000	31.03.2005 EUR' 000	31.03.2006 EUR' 000	31.03.2005 EUR' 000
Voyage income	37 268	33 069	4 078	4 078	4 550	3 675	571	429	46 467	41 251
Vessel Operating profit	9 253	9 649	302	1 056	3 144	2 342	137	116	12 836	13 163
Segment result	9 253	9 649	302	1 056	3 144	2 342	137	116	12 837	13 163
Unallocated administration expenses									(2 971)	(2 162)
Operating profit									9 866	11 001
Net Financial Items									(1 375)	(1 411)
Profit before Taxation									8 491	9 590
Taxation									(4)	(3)
Net Profit									8 487	9 587

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000
<u>ASSETS</u>										
Segment assets	319 436	298 321	21 084	18 490	56 740	55 014	820	1 300	398 080	373 125
Unallocated assets									77 752	60 387
Total assets									475 832	433 512
<u>LIABILITIES</u>										
Segment liabilities	124 123	121 692	1 218	1 499	17 181	20 318	340	69	142 862	143 578
Unallocated liabilities									6 016	3 886
Total liabilities									148 878	147 464
Other segment information										
Investments in vessels	7 961	12 517	-	-	-	-	-	-	7 961	12 517
Depreciation	2 912	3 980	314	450	717	712	-	60	3 943	5 202
Drydocking deferred expenditure depreciation	1 180	1 258	81	56	31	11	36	36	1 328	1 361

NOTES

Contact person with respect to information presented in these financial statements

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