

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

**Unaudited Condensed Consolidated
Financial Statements**

**for the six month period ended
30 June 2006**



Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

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 six month period ended 30 June 2006

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)

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

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

To ensure successful performance of LASCO Group in the future, the development of Strategic Plan to the year 2015 was continued during the reporting period.

All LASCO shares are publicly traded and listed on the Official List of Riga Stock Exchange. In the second quarter of 2006, the share price decreased from LVL 1.11 to LVL 0.90 per share.

LASCO Group's unaudited Net Profit for the first six months ended 30 June 2006 is USD 15.2 million (LVL 8.7 million, EUR 12.4 million). The Group's Net Profit for respective period of 2005 was USD 13.0 million (LVL 7.1 million, EUR 10.1 million).

As at the end of the period LASCO Unaudited Shareholders' Equity was USD 400.0 million (LVL 224.0 million, EUR 318.7 million) or USD 2.00 (LVL 1.12, EUR 1.59) per share, which is the highest level in the history of *LASCO* as a private company.

The Fleet

At the end of the second quarter of 2006, *LASCO* Group's fleet comprised of 38 vessels (30 product tankers, 2 LPG carriers, 5 reefer vessels and 1 Ro-Ro/general type vessel). During the reporting period two oldest "Pablo Neruda" type product tankers- m/t "Dzons Rids" and m/t "Hose Marti" were scraped. The first newbuilding m/t "Ance" ordered at *3.Maj* shipyard in Croatia was delivered in the beginning of July 2006.

The product tanker spot rates dropped in the second quarter of 2006, comparing with the first quarter of 2006, while time charter rates retained the stability.

In the second quarter of 2006, *LASCO*'s LPG carriers continued to be employed by *ScandiGas Pool*. Their Voyage Income for the second quarter of 2006 was below the respective 2005 result.

In the second quarter of 2006, freight rates in the reefer market were similar to rates during the second quarter of 2005, however total reefer fleet results in first half of the year 2006 were lower than respective period last year. 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 on time charter pursuant to the previously signed Time Charter Agreement.

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

MANAGEMENT REPORT

(Continued)

Tanker Fleet Renewal Programme

In the second 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 delivery of m/t “Ance” (the first out of ten newbuildings ordered at *3.Maj*) took place on 7 July 2006. On 3 July 2006 the second out of the ten newbuildings ordered at *3.Maj* m/t “Jurkalne” was launched.

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, starting with April 2007.

Imants Vikmanis
Chairman of the Management Board
JSC Latvijas kuģniecība

Riga, Latvia
23 August 2006

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

CONSOLIDATED INCOME STATEMENT

	30.06.2006 US \$'000	30.06.2005 US \$'000	30.06.2006 LVL'000	30.06.2005 LVL'000	30.06.2006 EUR'000	30.06.2005 EUR'000
Voyage income	107 609	101 803	61 571	55 598	87 609	79 109
Voyage costs	(32 967)	(26 027)	(18 863)	(14 214)	(26 840)	(20 225)
Net Voyage Results	74 642	75 776	42 708	41 384	60 769	58 884
Vessel Operating costs excluding voyage costs and depreciation	(45 092)	(37 748)	(25 800)	(20 616)	(36 711)	(29 333)
Vessel Operating Result before Depreciation	29 550	38 028	16 908	20 768	24 058	29 551
Vessel Depreciation	(9 523)	(13 465)	(5 449)	(7 353)	(7 753)	(10 463)
Vessel Operating Profit	20 027	24 563	11 459	13 415	16 305	19 088
Administration expenses	(7 957)	(7 846)	(4 553)	(4 285)	(6 478)	(6 097)
Gain on sale of assets	6 227	(1)	3 563	-	5 069	-
Operating Profit	18 297	16 716	10 469	9 130	14 896	12 991
Net Financial Items	(3 088)	(3 726)	(1 767)	(2 036)	(2 514)	(2 897)
Profit before Taxation	15 209	12 990	8 702	7 094	12 382	10 094
Taxation	(8)	(12)	(4)	(6)	(6)	(9)
Net Profit	15 201	12 978	8 698	7 088	12 376	10 085
Earnings per share	US \$ 0.08	US \$ 0.06	LVL 0.04	LVL 0.04	EUR 0.06	EUR 0.05

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
<i>NON-CURRENT ASSETS</i>						
Fleet	365 621	375 168	204 748	222 475	291 332	316 555
Other fixed assets	4 941	2 922	2 767	1 733	3 937	2 466
Assets under construction	83 657	59 763	46 848	35 439	66 659	50 426
Investments	25	24	14	14	20	20
Other financial assets	4 653	3 897	2 606	2 311	3 708	3 288
<i>TOTAL NON-CURRENT ASSETS</i>	458 897	441 774	256 983	261 972	365 656	372 755
<i>CURRENT ASSETS</i>						
Inventories	7 788	6 912	4 361	4 099	6 205	5 832
Accounts receivable and prepayments	24 545	23 683	13 745	14 044	19 557	19 983
Financial assets designated at fair value through profit or loss	16 991	18 476	9 515	10 956	13 539	15 589
Bank and cash balances	78 587	70 824	44 009	41 999	62 620	59 760
<i>TOTAL CURRENT ASSETS</i>	127 911	119 895	71 630	71 098	101 921	101 164
TOTAL ASSETS	586 808	561 669	328 613	333 070	467 577	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	(13 586)	(13 945)	(4 807)	7 864	(8 656)	9 371
Retained earnings	51 231	36 030	28 787	20 089	42 777	30 401
<i>TOTAL SHAREHOLDERS' EQUITY</i>	399 964	384 404	223 980	227 953	318 697	324 348
<i>NON-CURRENT LIABILITIES</i>						
Non-current portion of bank loans	132 906	133 714	74 428	79 292	105 902	112 824
Deferred tax liabilities	13	12	7	7	10	10
<i>TOTAL NON-CURRENT LIABILITIES</i>	132 919	133 726	74 435	79 299	105 912	112 834
<i>CURRENT LIABILITIES</i>						
Current portion of bank loans	19 333	17 166	10 826	10 179	15 404	14 484
Accounts payable and other liabilities	34 592	26 373	19 372	15 639	27 564	22 253
<i>TOTAL CURRENT LIABILITIES</i>	53 925	43 539	30 198	25 818	42 968	36 737
<i>TOTAL LIABILITIES</i>	186 844	177 265	104 633	105 117	148 880	149 571
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	586 808	561 669	328 613	333 070	467 577	473 919

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

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	-	-	12 978	12 978
Currency translation differences	-	(1 334)	-	(1 334)
Balance at 30th June 2005	362 319	(14 096)	21 604	369 827
Net Profit for the period	-	-	14 426	14 426
Currency translation differences	-	151	-	151
Balance at 31st December 2005	362 319	(13 945)	36 030	384 404
Net Profit for the period	-	-	15 201	15 201
Currency translation differences	-	359	-	359
Balance at 30th June 2006	362 319	(13 586)	51 231	399 964
	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	-	-	7 088	7 088
Currency translation differences	-	9 577	-	9 577
Balance at 30th June 2005	200 000	(10 211)	11 698	201 487
Net Profit for the period	-	-	8 391	8 391
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	-	-	8 698	8 698
Currency translation differences	-	(12 671)	-	(12 671)
Balance at 30th June 2006	200 000	(4 807)	28 787	223 980

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

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	-	-	10 085	10 085
Currency translation differences	-	(25 617)	-	(25 617)
Balance at 30th June 2005	284 576	(15 248)	17 363	286 691
Net Profit for the period	-	-	13 038	13 038
Currency translation differences	-	24 619	-	24 619
Balance at 31st December 2005	284 576	9 371	30 401	324 348
Net Profit for the period	-	-	12 376	12 376
Currency translation differences	-	(18 027)	-	(18 027)
Balance at 30th June 2006	284 576	(8 656)	42 777	318 697

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

CONSOLIDATED CASH FLOW STATEMENT

	<u>30.06.2006</u> US \$'000	<u>30.06.2005</u> US \$'000	<u>30.06.2006</u> LVL'000	<u>30.06.2005</u> LVL'000	<u>30.06.2006</u> EUR'000	<u>30.06.2005</u> EUR'000
Profit before taxation	15 209	12 990	8 702	7 094	12 382	10 094
Adjustments for:						
Depreciation	9 792	13 796	5 603	7 534	7 972	10 721
Profit on sale of fixed assets	(6 227)	1	(3 563)	1	(5 070)	1
Other adjustments	8 966	2 453	2 698	5 472	3 840	7 784
	27 740	29 240	13 440	20 101	19 124	28 600
Movements in net working capital:						
Inventories	(876)	268	(501)	146	(714)	207
Accounts receivable	(768)	6 520	(439)	3 561	(625)	5 067
Accounts payable	8 103	9 368	4 636	5 116	6 597	7 280
Cash flow from Operating Activities	34 199	45 396	17 136	28 924	24 382	41 154
Net Cash flow from Investing Activities	(22 698)	(27 226)	(12 987)	(14 869)	(18 479)	(21 156)
Cash flow before Financing Activities	11 501	18 170	4 149	14 055	5 903	19 998
Net Cash flow from Financing Activities	(3 738)	(8 679)	(2 139)	(4 740)	(3 043)	(6 745)
Increase/(decrease) in Cash and Cash Equivalents	7 763	9 491	2 010	9 315	2 860	13 253
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	78 587	65 936	44 009	38 441	62 620	54 696

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements
for the six month period ended 30 June 2006

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 30 June 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.

LB rate of exchange as at 30.06.2006 USD/LVL - 0.560 (average – 0.572177)

LB rate of exchange as at 30.06.2005 USD/LVL - 0.583 (average – 0.546133)

LB rate of exchange LVL/EURO – 0.7028

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006 US \$'000	30.06.2005 US \$'000	30.06.2006 US \$'000	30.06.2005 US \$'000	30.06.2006 US \$'000	30.06.2005 US \$'000	30.06.2006 US \$'000	30.06.2005 US \$'000	30.06.2006 US \$'000	30.06.2005 US \$'000
Voyage income	86 141	80 491	10 079	11 650	9 976	8 561	1 413	1 101	107 609	101 803
Vessel Operating profit	11 650	16 507	1 324	2 715	6 575	5 035	478	306	20 027	24 563
Gain on sale of assets	6 203	-	-	-	-	-	-	-	6 203	-
Unallocated loss on sale of assets									24	(1)
Segment result	17 853	16 507	1 324	2 715	6 575	5 035	478	306	26 254	24 562
Unallocated administration expenses									(7 957)	(7 846)
Operating profit									18 297	16 716
Net Financial Items									(3 088)	(3 726)
Profit before Taxation									15 209	12 990
Taxation									(8)	(12)
Net Profit									15 201	12 978

Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005
	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	394 999	378 942	25 110	23 985	68 066	69 623	1 396	1 633	489 571	474 183
Unallocated assets									97 237	84 413
Total assets									586 808	558 596
<u>LIABILITIES</u>										
Segment liabilities	161 431	158 790	1 777	1 714	19 143	25 087	380	105	182 731	185 696
Unallocated liabilities									4 113	3 073
Total liabilities									186 844	188 769
Other segment information										
Investments in vessels	28 840	22 381	478	-	-	250	-	-	29 318	22 631
Depreciation	7 033	10 301	759	1 165	1 731	1 844	-	155	9 523	13 465
Drydocking deferred expenditure depreciation	3 423	3 019	245	111	77	14	88	93	3 833	3 237

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006 LVL' 000	30.06.2005 LVL' 000	30.06.2006 LVL' 000	30.06.2005 LVL' 000	30.06.2006 LVL' 000	30.06.2005 LVL' 000	30.06.2006 LVL' 000	30.06.2005 LVL' 000	30.06.2006 LVL'000	30.06.2005 LVL' 000
Voyage income	49 288	43 959	5 767	6 362	5 708	4 675	808	602	61 571	55 598
Vessel Operating profit	6 666	9 015	758	1 483	3 762	2 750	273	167	11 459	13 415
Gain on sale of assets	3 549	-	-	-	-	-	-	-	3 549	-
Unallocated loss on sale of assets									14	-
Segment result	10 215	9 015	758	1 483	3 762	2 750	274	167	15 022	13 415
Unallocated administration expenses									(4 553)	(4 285)
Operating profit									10 469	9 130
Net Financial Items									(1 767)	(2 036)
Profit before Taxation									8 702	7 094
Taxation									(4)	(6)
Net Profit									8 698	7 088

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005	30.06.2006	30.06.2005
	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	221 199	220 923	14 062	13 983	38 117	40 590	782	953	274 160	276 449
Unallocated assets									54 453	49 212
Total assets									328 613	325 661
<u>LIABILITIES</u>										
Segment liabilities	90 401	92 575	995	999	10 720	14 626	213	61	102 329	108 261
Unallocated liabilities									2 304	1 791
Total liabilities									104 633	110 052
Other segment information										
Investments in vessels	16 502	12 223	273	-	-	137	-	-	16 775	12 360
Depreciation	4 024	5 626	435	636	990	1 007	-	84	5 449	7 353
Drydocking deferred expenditure depreciation	1 959	1 649	140	61	44	8	50	50	2 193	1 768

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000
Voyage income	70 131	62 548	8 206	9 053	8 122	6 653	1 150	855	87 609	79 109
Vessel Operating profit	9 485	12 827	1 078	2 110	5 353	3 913	389	238	16 305	19 088
Gain on sale of assets	5 050								5 050	-
Unallocated loss on sale of assets									19	-
Segment result	14 535	12 827	1 078	2 110	5 353	3 913	389	238	21 374	19 088
Unallocated administration expenses									(6 478)	(6 097)
Operating profit									14 896	12 991
Net Financial Items									(2 514)	(2 897)
Profit before Taxation									12 382	10 094
Taxation									(6)	(9)
Net Profit									12 376	10 085

Latvian Shipping Company & its Subsidiaries
Unaudited Condensed Consolidated Financial Statements for the six month period ended 30 June 2006

NOTES

2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000	30.06.2006 EUR' 000	30.06.2005 EUR' 000
ASSETS										
Segment assets	314 740	314 347	20 008	19 896	54 236	57 755	1 112	1 355	390 096	393 353
Unallocated assets									77 481	70 024
Total assets									467 577	463 377
LIABILITIES										
Segment liabilities	128 630	131 722	1 416	1 422	15 253	20 811	303	87	145 602	154 042
Unallocated liabilities									3 278	2 549
Total liabilities									148 880	156 591
Other segment information										
Investments in vessels	23 480	17 392	389	-	-	194	-	-	23 869	17 586
Depreciation	5 726	8 005	618	905	1 409	1 433	-	120	7 753	10 463
Drydocking deferred expenditure depreciation	2 787	2 346	199	86	63	11	72	72	3 121	2 515

NOTES

Contact person with respect to information presented in these financial statements

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