

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

Unaudited Condensed Consolidated Financial Statements

**for the nine month period ended
30 September 2006**



Latvian Shipping Company & its Subsidiaries
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INFORMATION ON PARENT COMPANY

THE SUPERVISORY COUNCIL

Chairman of the Council	Uldis Pumpurs
Deputy Chairperson 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 – 1.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 (till 22.08.2006)

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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

To ensure its successful performance in the future, LASCO Group continues to develop 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 nine months of 2006, the Company's share price decreased from LVL 1.30 to LVL 0.97.

LASCO Group's unaudited Net Profit for the nine months ended 30 September 2006 is USD 24.8 million (LVL 14.0 million, EUR 20.0 million). The Group's Net Profit for the respective period of 2005 was USD 20.7 million (LVL 11.5 million, EUR 16.4 million).

As at the end of the period JSC *Latvijas kuģniecība* Unaudited Shareholders' Equity was USD 409.8 million (LVL 226.2 million, EUR 321.9 million) or USD 2.05 (LVL 1.13, EUR 1.61) per share, which is the highest level in the history of LASCO as a private company.

The Fleet

As at 30 September 2006, LASCO Group's fleet comprised 38 own vessels (including 30 product tankers, 2 LPG carriers, 5 reefer vessels and 1 Ro-Ro/general type vessel) and 2 tankers time chartered in from other companies (m/v "Blue Star" and m/v "Green Star"). During the reporting period, LASCO scrapped four of its product tankers (m/v "Dzons Rids", m/v "Hose Marti", m/v „Lielupe” and m/v „Antonio Gramsi”), as well as took the delivery of two newbuildings (m/v „Ance” and m/v „Jūrkalne”).

Despite tanker freight rates being higher in the nine months of 2006 than in the respective period of 2005, LASCO Tanker Fleet's Vessel Operating Profit for the nine months of 2006 is lower compared to that of 2005.

In the reporting period, LASCO's 2 LPG carriers continued to be employed by *ScandiGas Pool*. Their Voyage Income was higher compared to the respective period of 2005, and their total Vessel Operating Profit for the nine months of 2006 exceeds that for the nine months of 2005.

In the nine months of 2006, the average freight rates in the reefer market were lower than in the nine months of 2005. Therefore, LASCO Reefer Fleet's total Vessel Operating Profit for the 9 months of 2006 is lower than in the respective period of 2005.

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

MANAGEMENT REPORT

(Continued)

Tanker Fleet Renewal Programme

In the third 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/v „Ance” (the first out of the ten newbuildings ordered at *3.Maj*) took place on 7 July 2006, and already on 19 September 2006 LASCO took the delivery of the second newly built tanker named „Jurkalne”. Besides, the launching, blessing and naming ceremony of another newbuilding m/v „Puze” took place on 19 August 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
22 November 2006

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CONSOLIDATED INCOME STATEMENT

	30.09.2006 US \$'000	30.09.2005 US \$'000	30.09.2006 LVL'000	30.09.2005 LVL'000	30.09.2006 EUR'000	30.09.2005 EUR'000
Voyage income	159 122	148 534	89 927	82 605	127 956	117 537
Voyage costs	(48 126)	(37 332)	(27 198)	(20 762)	(38 700)	(29 541)
Net Voyage Results	110 996	111 202	62 729	61 843	89 256	87 996
Vessel Operating costs excluding voyage costs and depreciation	(65 868)	(53 756)	(37 225)	(29 895)	(52 967)	(42 538)
Vessel Operating Result before Depreciation	45 128	57 446	25 504	31 948	36 289	45 458
Vessel Depreciation	(14 507)	(20 198)	(8 199)	(11 233)	(11 666)	(15 983)
Vessel Operating Profit	30 621	37 248	17 305	20 715	24 623	29 475
Administration expenses	(12 676)	(11 521)	(7 163)	(6 407)	(10 193)	(9 117)
Gain on sale of assets	12 086	11	6 830	6	9 719	9
Operating Profit	30 031	25 738	16 972	14 314	24 149	20 367
Net Financial Items	(5 185)	(4 983)	(2 930)	(2 771)	(4 169)	(3 943)
Profit before Taxation	24 846	20 755	14 042	11 543	19 980	16 424
Taxation	(12)	(18)	(7)	(10)	(10)	(14)
Net Profit	24 834	20 737	14 035	11 533	19 970	16 410
Earnings per share	US \$ 0,12	US \$ 0,10	LVL 0,07	LVL 0,06	EUR 0,10	EUR 0,08

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CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	30.09.2006	31.12.2005	30.09.2006	31.12.2005	30.09.2006	31.12.2005
	US \$'000	US \$'000	LVL'000	LVL'000	EUR'000	EUR'000
<i>NON-CURRENT ASSETS</i>						
Fleet	433 988	375 168	239 561	222 475	340 867	316 555
Other fixed assets	7 764	2 922	4 286	1 733	6 098	2 466
Assets under construction	70 177	59 763	38 738	35 439	55 120	50 426
Investments	25	24	14	14	20	20
Other financial assets	4 785	3 897	2 641	2 311	3 757	3 288
<i>TOTAL NON-CURRENT ASSETS</i>	516 739	441 774	285 240	261 972	405 862	372 755
<i>CURRENT ASSETS</i>						
Inventories	6 743	6 912	3 722	4 099	5 296	5 832
Accounts receivable and prepayments	31 063	23 683	17 147	14 044	24 398	19 983
Financial assets designated at fair value through profit or loss	17 190	18 476	9 489	10 956	13 502	15 589
Bank and cash balances	69 280	70 824	38 243	41 999	54 415	59 760
<i>TOTAL CURRENT ASSETS</i>	124 276	119 895	68 601	71 098	97 611	101 164
TOTAL ASSETS	641 015	561 669	353 841	333 070	503 473	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	(13 334)	(13 945)	(7 887)	7 864	(13 039)	9 371
Retained earnings	60 864	36 030	34 124	20 089	50 371	30 401
<i>TOTAL SHAREHOLDERS' EQUITY</i>	409 849	384 404	226 237	227 953	321 908	324 348
<i>NON-CURRENT LIABILITIES</i>						
Non-current portion of bank loans	173 510	133 714	95 778	79 292	136 281	112 824
Deferred tax liabilities	12	12	7	7	10	10
<i>TOTAL NON-CURRENT LIABILITIES</i>	173 522	133 726	95 785	79 299	136 291	112 834
<i>CURRENT LIABILITIES</i>						
Current portion of bank loans	21 450	17 166	11 840	10 179	16 847	14 484
Accounts payable and other liabilities	36 194	26 373	19 979	15 639	28 427	22 253
<i>TOTAL CURRENT LIABILITIES</i>	57 644	43 539	31 819	25 818	45 274	36 737
<i>TOTAL LIABILITIES</i>	231 166	177 265	127 604	105 117	181 565	149 571
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	641 015	561 669	353 841	333 070	503 473	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	-	-	20 737	20 737
Currency translation differences	-	(1 426)	-	(1 426)
Balance at 30th September 2005	362 319	(14 188)	29 363	377 494
Net Profit for the period	-	-	6 667	6 667
Currency translation differences	-	243	-	243
Balance at 31st December 2005	362 319	(13 945)	36 030	384 404
Net Profit for the period	-	-	24 834	24 834
Currency translation differences	-	611	-	611
Balance at 30th September 2006	362 319	(13 334)	60 864	409 849
	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	-	-	11 533	11 533
Currency translation differences	-	23 724	-	23 724
Balance at 30th September 2005	200 000	3 936	16 143	220 079
Net Profit for the period	-	-	3 946	3 946
Currency translation differences	-	3 928	-	3 928
Balance at 31st December 2005	200 000	7 864	20 089	227 953
Net Profit for the period	-	-	14 035	14 035
Currency translation differences	-	(15 751)	-	(15 751)
Balance at 30th September 2006	200 000	(7 887)	34 124	226 237

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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	-	-	16 410	16 410
Currency translation differences	-	(5 488)	-	(5 488)
Balance at 30th September 2005	284 576	4 881	23 688	313 145
Net Profit for the period	-	-	6 713	6 713
Currency translation differences	-	4 490	-	4 490
Balance at 31st December 2005	284 576	9 371	30 401	324 348
Net Profit for the period	-	-	19 970	19 970
Currency translation differences	-	(22 410)	-	(22 410)
Balance at 30th September 2006	284 576	(13 039)	50 371	321 908

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CONSOLIDATED CASH FLOW STATEMENT

	<u>30.09.2006</u> US \$'000	<u>30.09.2005</u> US \$'000	<u>30.09.2006</u> LVL'000	<u>30.09.2005</u> LVL'000	<u>30.09.2006</u> EUR'000	<u>30.09.2005</u> EUR'000
Profit before taxation	24 846	20 755	14 042	11 543	19 980	16 424
Adjustments for:						
Depreciation	14 969	20 686	8 460	11 504	12 037	16 369
Profit on sale of fixed assets	(12 086)	(11)	(6 830)	(6)	(9 719)	(9)
Other adjustments	13 051	4 148	4 491	6 423	6 392	9 140
	40 780	45 578	20 163	29 464	28 690	41 924
Movements in net working capital:						
Inventories	169	(424)	96	(236)	136	(336)
Accounts receivable	(7 287)	(234)	(4 118)	(130)	(5 860)	(185)
Accounts payable	9 364	10 303	5 292	5 730	7 530	8 153
Cash flow from Operating Activities	43 026	55 223	21 433	34 828	30 496	49 556
Net Cash flow from Investing Activities	(81 278)	(30 746)	(45 934)	(17 099)	(65 359)	(24 330)
Cash flow before Financing Activities	(38 252)	24 477	(24 501)	17 729	(34 863)	25 226
Net Cash flow from Financing Activities	36 708	(12 018)	20 745	(6 684)	29 518	(9 510)
Increase/(decrease) in Cash and Cash Equivalents	(1 544)	12 459	(3756)	11 045	(5 345)	15 716
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	69 280	68 904	38 243	40 171	54 415	57 159

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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 30 September 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 30.09.2006 USD/LVL - 0.559 (average – 0.565147)

LB rate of exchange as at 30.09.2005 USD/LVL - 0.583 (average – 0.556136)

LB rate of exchange LVL/EURO – 0.7028

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NOTES

2. SEGMENT INFORMATION

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006 US \$'000	30.09.2005 US \$'000	30.09.2006 US \$'000	30.09.2005 US \$'000	30.09.2006 US \$'000	30.09.2005 US \$'000	30.09.2006 US \$'000	30.09.2005 US \$'000	30.09.2006 US \$'000	30.09.2005 US \$'000
Voyage income	130 267	119 066	12 505	14 626	14 179	13 212	2 171	1 630	159 122	148 534
Vessel Operating profit	20 732	27 493	67	1 372	8 974	7 895	848	488	30 621	37 248
Gain on sale of assets	12 054	-	-	-	-	-	-	-	12 054	-
Unallocated loss on sale of assets									32	11
Segment result	32 786	27 493	67	1 372	8 974	7 895	848	488	42 707	37 259
Unallocated administration expenses									(12 676)	(11 521)
Operating profit									30 031	25 738
Net Financial Items									(5 185)	(4 983)
Profit before Taxation									24 846	20 755
Taxation									(12)	(18)
Net Profit									24 834	20 737

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	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	457 599	378 838	23 859	24 276	67 621	70 690	1 370	1 593	550 449	475 397
Unallocated assets									90 566	88 138
Total assets									641 015	563 535
<u>LIABILITIES</u>										
Segment liabilities	207 634	155 673	1 711	1 815	17 658	23 632	406	152	227 409	181 272
Unallocated liabilities									3 757	4 770
Total liabilities									231 166	186 042
Other segment information										
Investments in vessels	94 405	25 704	466	427	-	247	38	-	94 909	26 378
Depreciation	10 775	15 452	1 138	1 748	2 594	2 766	-	232	14 507	20 198
Drydocking deferred expenditure depreciation	4 743	4 269	378	169	117	34	133	135	5 371	4 607

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	LVL' 000	LVL' 000	LVL' 000	LVL' 000	LVL' 000	LVL' 000	LVL' 000	LVL' 000	LVL'000	LVL' 000
Voyage income	73 620	66 217	7 067	8 134	8 013	7 348	1 227	906	89 927	82 605
Vessel Operating profit	11 717	15 290	38	763	5 072	4 391	478	271	17 305	20 715
Gain on sale of assets	6 812	-	-	-	-	-	-	-	6 812	-
Unallocated loss on sale of assets									18	6
Segment result	18 529	15 290	38	763	5 072	4 391	479	271	24 136	20 721
Unallocated administration expenses									(7 164)	(6 407)
Operating profit									16 972	14 314
Net Financial Items									(2 930)	(2 771)
Profit before Taxation									14 042	11 543
Taxation									(7)	(10)
Net Profit									14 035	11 533

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	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	252 595	220 863	13 170	14 153	37 327	41 212	756	929	303 848	277 157
Unallocated assets									49 993	51 384
Total assets									353 841	328 541
<u>LIABILITIES</u>										
Segment liabilities	114 614	90 757	944	1 058	9 747	13 777	225	89	125 530	105 681
Unallocated liabilities									2 074	2 781
Total liabilities									127 604	108 462
Other segment information										
Investments in vessels	53 353	14 295	263	237	-	138	22	-	53 638	14 670
Depreciation	6 089	8 593	643	972	1 467	1 539	-	129	8 199	11 233
Drydocking deferred expenditure depreciation	2 680	2 374	214	94	66	19	75	75	3 035	2 562

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000
Voyage income	104 752	94 219	10 056	11 574	11 402	10 455	1 746	1 289	127 956	117 537
Vessel Operating profit	16 671	21 756	54	1 086	7 216	6 247	682	386	24 623	29 475
Gain on sale of assets	9 693	-	-	-	-	-	-	-	9 693	-
Unallocated loss on sale of assets									26	9
Segment result	26 364	21 756	54	1 086	7 216	6 247	682	386	34 342	29 484
Unallocated administration expenses									(10 193)	(9 117)
Operating profit									24 149	20 367
Net Financial Items									(4 169)	(3 943)
Profit before Taxation									19 980	16 424
Taxation									(10)	(14)
Net Profit									19 970	16 410

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2. SEGMENT INFORMATION (continued)

	Tankers		Reefers		LPG		Dry Cargo		Total	
	30.09.2006 EUR' 000	30.09.2005 EUR' 000	30.09.2006 EUR' 000	30.09.2005 EUR' 000	30.09.2006 EUR' 000	30.09.2005 EUR' 000	30.09.2006 EUR' 000	30.09.2005 EUR' 000	30.09.2006 EUR' 000	30.09.2005 EUR' 000
ASSETS										
Segment assets	359 412	314 261	18 740	20 138	53 112	58 640	1 075	1 321	432 339	394 360
Unallocated assets									71 134	73 114
Total assets									503 473	467 474
LIABILITIES										
Segment liabilities	163 082	129 137	1 344	1 506	13 869	19 604	319	125	178 614	150 372
Unallocated liabilities									2 951	3 957
Total liabilities									181 565	154 329
Other segment information										
Investments in vessels	75 914	20 340	375	338	-	195	31	-	76 320	20 873
Depreciation	8 665	12 227	915	1 383	2 086	2 189	-	184	11 666	15 983
Drydocking deferred expenditure depreciation	3 814	3 378	304	134	94	27	107	107	4 319	3 646

NOTES

Contact person with respect to information presented in these financial statements

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