

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

Unaudited Condensed Consolidated Financial Statements

for the six month period ended 30 June 2007

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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

Member of the Management Board -

vice-president Solvita Deglava

Members of the Management Board Guntis Tīrmanis

Ilva Purēna

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

LASCO Group's Unaudited Net Profit for the six months ended 30 June 2007 is USD 55.2 million (LVL 29.2 million, EUR 41.0 million). The result was ensured by both Vessel Operating Profit and Gain on Sale of Vessels. The Group's profit for the first half of 2007 3.6 times exceeds the respective result of 2006.

In the first six months of 2007, LASCO Group's assets increased by USD 96.6 million (LVL 41.1 million, EUR 58.5 million) and, as of 30 June 2007, they reached USD 762.2 million (LVL 397.9 million, EUR 566.1 million).

As at the end of the reporting period, LASCO Unaudited Shareholders' Equity was USD 474.5 million (LVL 247.7 million, EUR 352.4 million) or USD 2.37 (LVL 1.24, EUR 1.76) per share, which is the highest level in the history of LASCO as a private company.

Tanker Fleet Renewal Programme

On 11 January 2007, in order to ensure finance for ordering four additional middle-range tanker newbuilds, the Company's Supervisory Council reviewed and approved the sale of two Panamax-type tanker vessels (m/t Zemgale and m/t Latgale) considered within the frames of LASCO fleet further development project developed by the work group of the Company's shipping experts involved in the elaboration of LASCO Strategic Plan to the Year 2015.

In the first half of 2007, LASCO took the delivery of the first two (out of four) tanker newbuildings ordered at *Hyundai Mipo Dockrd Ltd*. The ships were named m/t *Kraslava* and m/t *Kandava*.

Besides, in the first six months of 2007, LASCO's fourth and fifth (out of ten) tanker newbuilds - m/t *Targale* and m/t *Ugale* - were delivered to the Company by *3.Maj* shipyard, Croatia. In total, by 30 June 2007, seven out of fourteen tanker newbuildings had been delivered to LASCO: five by *3.Maj* shipyard in Croatia and two by *Hyundai Mipo Dockrd Ltd.* in Korea.

The Fleet

As at 30 June 2007, LASCO Group's fleet comprised 41 vessels: 33 product tankers (including 3 tankers time chartered in from other shipowners), 2 LPG carriers, 5 reefer vessels and 1 Ro-Ro/general type vessel. In the first half of 2007, LASCO sold 4 tankers: (m/t *Pablo Neruda*, m/t *Majori*, m/t *Latgale*, m/t *Zemgale*), took the delivery of 4 newbuildings (m/t *Kraslava*, m/t *Targale*, m/t *Kandava* and m/t *Ugale*) and continued to employ 3 tankers time chartered in from other shipowners (m/t *Green Star*, m/t *Blue Star*, m/t *Maria M*).

MANAGEMENT REPORT (CONTINUED)

Due to the consistently implemented tanker chartering policy, LASCO Tanker fleet's results for the first six months of 2007 exceeded those for the respective period of 2006 despite the freight rate drop in the SPOT market.

In the reporting period, LASCO's 2 LPG carriers continued to be employed by *ScandiGas Pool*. Their Voyage Income for the first six months of 2007 was lower compared to the respective period of 2006. Therefore, their Net Voyage Result for the first half of 2007 is lower than that for the first half of 2006.

In the first six months of 2007, the average freight rates in the reefer market were stable. Therefore, LASCO Reefer Fleet's total result for the first half of 2007 is better than for the respective period of 2006.

In the first half of 2007, the Group's only Ro-Ro/general type vessel was employed in time charter.

Post Balance Sheet Events

On 14 July 2007, the naming, blessing and launching ceremony of m/t *Piltene*, LASCO's seventh newbuilding, took place at *3.Maj* shipyard in Croatia.

On 18 July 2007, LASCO took the delivery m/t *Kazdanga*, the third out of four tanker newbuildings ordered at *Hyundai Mipo Dockrd Ltd*. in Korea.

On 31 July 2007, the sixth out of ten newly built tankers (m/t *Usma*) was delivered to LASCO by the Croatian 3.Maj.

Imants Vikmanis Chairman of the Management Board JSC *Latvijas kuģniecība*

Riga, Latvia August 28, 2007

Statement of Management's Responsibilities

Unaudited consolidated financial statements are prepared to the best on our knowledge in accordance with International Financial Reporting Standards as adopted by EU. These unaudited financial statements give a true and fair view of the state of affairs of the Group and of the results of the Group for the period ended 31 March 2007 in all material aspects. In preparing those financial statements, management:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by EU. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Imants Vikmanis Chairman of the Management Board JSC *Latvijas kuģniecība*

Riga, Latvia August 28, 2007

CONSOLIDATED INCOME STATEMENT

	30.06.2007 US \$'000	30.06.2006 US \$'000	30.06.2007 LVL'000	30.06.2006 LVL'000	30.06.2007 EUR'000	30.06.2006 EUR'000
Net Voyage Result	100 772	74 642	53 284	42 708	74 847	59 476
Vessel Operating costs excluding voyage costs and depreciation	(54 720)	(45 092)	(28 934)	(25 800)	(40 642)	(35 930)
Vessel Operating Result before depreciation	46 052	29 550	24 350	16 908	34 205	23 546
Vessel Depreciation	(11 361)	(9 523)	(6 007)	(5 449)	(8 439)	(7 588)
Vessel Operating Profit	34 691	20 027	18 343	11 459	25 766	15 958
Administration expenses Gain on sale of assets	(11 158) 38 025	(7 957) 6 227	(5 900) 20 106	(4 553) 3 563	(8 287) 28 243	(6 340) 4 962
Operating Profit	61 558	18 297	32 549	10 469	45 722	14 580
Net Financial Items	(6 365)	(3 088)	(3 366)	(1 767)	(4 728)	(2 461)
Profit before Taxation	55 193	15 209	29 183	8 702	40 994	12 119
Taxation	(8)	(8)	(4)	(4)	(6)	(6)
Net Profit	55 185	15 201	29 179	8 698	40 988	12 113
Earnings per share	US\$ 0,28	US\$ 0,08	LVL 0,15	LVL 0,04	EUR 0,20	EUR 0,06

CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	30.06.2007 US \$'000	31.12.2006 US \$'000	30.06.2007 LVL'000	31.12.2006 LVL'000	30.06.2007 EUR'000	31.12.2006 EUR'000
NON-CURRENT ASSETS						
Fleet	512 080	460 967	267 306	247 078	380 342	351 561
Other fixed assets	6 163	6 216	3 217	3 332	4 578	4 741
Investment properties	1 828	1 803	954	966	1 358	1 375
Assets under construction	59 931	71 393	31 284	38 267	44 513	54 449
Investments in associates	26	25	14	13	19	19
Other financial assets	3 644	4 335	1 902	2 324	2 707	3 306
TOTAL NON-CURRENT						
<u>ASSETS</u>	583 672	544 739	304 677	291 980	433 517	415 451
CURRENT ASSETS						
Inventories	5 947	5 547	3 104	2 973	4 417	4 230
Accounts receivable and						
prepayments	18 588	22 291	9 703	11 948	13 806	17 001
Loans and receivables	47 085	47 995	24 578	25 725	34 971	36 604
Financial assets designated at						
fair value through profit or loss	51 025	11 948	26 635	6 404	37 898	9 112
Bank and cash balances	55 890	33 092	29 175	17 737	41 512	25 238
TOTAL CURRENT ASSETS	178 535	120 873	93 195	64 787	132 604	92 185
TOTAL ASSETS	762 207	665 612	397 872	356 767	566 121	507 636
SHAREHOLDERS' EQUITY & LIABILITIES SHAREHOLDERS EQUITY Share capital Translation reserve Retained earnings	362 319 (12 763) 124 950	362 319 (13 079) 69 765	200 000 (20 474) 68 167	200 000 (14 402) 38 988	269 108 (13 790) 97 117	276 326 (12 897) 56 129
TOTAL SHAREHOLDERS' EQUITY	474 506	419 005	247 693	224 586	352 435	319 558
NON-CURRENT LIABILITIES Non-current portion of bank loans Deferred tax liabilities	220 060 22	167 231 22	114 871 11	89 636 12	163 447 16	127 540 17
<u>TOTAL NON-CURRENT</u> <u>LIABILITIES</u>	220 082	167 253	114 882	89 648	163 463	127 557
CURRENT LIABILITIES Current portion of bank loans Accounts payable and other	43 219	49 703	22 560	26 640	32 100	37 906
liabilities	24 400	29 651	12 737	15 893	18 123	22 615
<u>TOTAL CURRENT</u> <u>LIABILITIES</u>	67 619	79 354	35 297	42 533	50 223	60 521
TOTAL LIABILITIES	287 701	246 607	150 179	132 181	213 686	188 078
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	762 207	665 612	397 872	356 767	566 121	507 636

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 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
Net Profit for the period	-	-	18 534	18 534
Currency translation differences	-	507	-	507
Balance at 31st December 2006	362 319	(13 079)	69 765	419 005
Net Profit for the period	-	-	55 185	55 185
Currency translation differences	-	316	-	316
Balance at 30th June 2007	362 319	(12 763)	124 950	474 506
	Share Capital LVL 000	Translation Reserve LVL 000	Retained Earnings LVL 000	Total LVL 000
Balance at 31st December 2005	Capital	Reserve	Earnings	
Balance at 31st December 2005 Net Profit for the period	Capital LVL 000	Reserve LVL 000	Earnings LVL 000	LVL 000
	Capital LVL 000	Reserve LVL 000	Earnings LVL 000	LVL 000 227 953
Net Profit for the period	Capital LVL 000	Reserve LVL 000 7 864	Earnings LVL 000	227 953 8 698
Net Profit for the period Currency translation differences	Capital LVL 000 200 000	Reserve LVL 000 7 864 - (12 671)	Earnings LVL 000 20 089 8 698	227 953 8 698 (12 671)
Net Profit for the period Currency translation differences Balance at 30th June 2006	Capital LVL 000 200 000	Reserve LVL 000 7 864 - (12 671)	Earnings LVL 000 20 089 8 698	227 953 8 698 (12 671) 223 980
Net Profit for the period Currency translation differences Balance at 30th June 2006 Net Profit for the period	Capital LVL 000 200 000	Reserve LVL 000 7 864 (12 671) (4 807)	Earnings LVL 000 20 089 8 698	227 953 8 698 (12 671) 223 980 10 201
Net Profit for the period Currency translation differences Balance at 30th June 2006 Net Profit for the period Currency translation differences	Capital LVL 000 200 000 200 000	Reserve LVL 000 7 864 (12 671) (4 807) (9 595)	Earnings LVL 000 20 089 8 698 - 28 787 10 201 -	227 953 8 698 (12 671) 223 980 10 201 (9 595)
Net Profit for the period Currency translation differences Balance at 30th June 2006 Net Profit for the period Currency translation differences Balance at 31st December 2006	Capital LVL 000 200 000 200 000	Reserve LVL 000 7 864 (12 671) (4 807) (9 595)	Earnings LVL 000 20 089 8 698 - 28 787 10 201 - 38 988	227 953 8 698 (12 671) 223 980 10 201 (9 595) 224 586

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 2005	284 576	9 371	30 401	324 348
Net Profit for the period	-	-	12 113	12 113
Currency translation differences	-	(18 027)	-	(18 027)
Balance at 30th June 2006	284 576	(8 656)	42 514	318 434
Net Profit for the period	-	-	13 615	13 615
Currency translation differences	(8 250)	(4 241)	-	(12 491)
Balance at 31st December 2006	276 326	(12 897)	56 129	319 558
Net Profit for the period	-	-	40 988	40 988
Currency translation differences	(7 218)	(893)	-	(8 111)
Balance at 30th June 2007	269 108	(13 790)	97 117	352 435

CONSOLIDATED CASH FLOW STATEMENT

	31.03.2007 US \$'000	31.03.2006 US \$'000	31.03.2007 LVL'000	31.03.2006 LVL'000	31.03.2007 EUR'000	31.03.2006 EUR'000
Profit before taxation Adjustments for:	55 193	15 209	29 183	8 702	40 994	12 119
Depreciation Profit on sale of fixed	11 818	9 792	6 249	5 603	8 778	7 802
assets Other adjustments	(38 025) 11 088	(6 227) 8 966	(20 106) 5 247	(3 563) 3 185	(28 243) 7 577	(4 962) 7 144
Movements in net						
working capital:	40 074	27 740	20 573	13 927	29 106	22 103
Adjustments for: Inventories	(400)	(876)	(212)	(501)	(297)	(698)
Accounts receivable	2 337	(768)	1 236	(439)	1 736	(612)
Accounts payable	(5 140)	8 103	(2 718)	4 636	(3 818)	6 457
Cash flow from Operating Activities	36 871	34 199	18 879	17 623	26 727	27 250
Net Cash flow from Investing Activities	(52 879)	(62 698)	(27 960)	(35 873)	(39 276)	(49 958)
Cash flow before Financing Activities	(16 008)	(28 499)	(9 081)	(18 250)	(12 549)	(22 708)
Net Cash flow from Financing Activities	38 806	(3 738)	20 519	(2 140)	28 823	(2 979)
Increase in Cash and Cash Equivalents	22 798	(32 237)	11 438	(20 390)	16 274	(25 687)
Cash and Cash Equivalents at the beginning of the reporting period	33 092	70 824	17 737	41 999	25 238	56 433
Cash and Cash Equivalents at the end of the reporting period	55 890	38 587	29 175	21 609	41 512	30 746

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

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.

LB rate of exchange as at 30.06.2007 USD/LVL - 0.522 (average -0.528757) LB rate of exchange as at 30.06.2006 USD/LVL - 0.560 (average -0.572177)

These financial statements are translated into euros using the rate of exchange set by the Bank of Latvia prevailing at the 30.06.2007: 1 USD = 0.742739 EUR (30.06.2006: 1 USD = 0.796808 EUR).

NOTES

2. SEGMENT INFORMATION

	Tan	kers	Reef	fers	LP	\mathbf{G}	Dry C	Cargo	Tot	tal
	30.06.07 US \$'000	30.06.06 US \$'000	30.06.07 US \$'000	30.06.06 US \$'000						
Voyage income Voyage costs	99 932 (15 215)	86 141 (28 654)	7 134 (511)	10 079 (4 249)	7 979 (16)	9 976 (9)	1 529 (60)	1 413 (55)	116 574 (15 802)	107 609 (32 967)
Net voyage result	84 717	57 487	6 623	5 830	7 963	9 967	1 469	1 358	100 772	74 642
Vessel operating costs	(47 066)	(38 804)	(4 216)	(3 747)	(2 526)	(1 661)	(912)	(880)	(54 720)	(45 092)
Vessel depreciation	(8 873)	(7 033)	(759)	(759)	(1 729)	(1 731)	-	-	(11 361)	(9 523)
Vessel Operating profit	28 778	11 650	1 648	1 324	3 708	6 575	557	478	34 691	20 027
Gain on sale of assets Unallocated sale of assets	38 002	6 203	-	-	-	-	-	-	38 002 23	6 203 24
Segment result	66 780	17 853	1 648	1 324	3 708	6 575	557	478	72 716	26 254
Unallocated corporate expenses								<u>-</u>	(11 158)	(7 957)
Operating profit									61 558	18 297
Net Financial Items Profit before Taxation								-	(6 365) 55 193	(3 088) 15 209
Taxation Net Profit									(8) 55 185	(8) 15 201

NOTES

	Tanl	kers	Reefers		LPG		Dry C	argo	Total	
	30.06.07 US \$'000	30.06.06 US \$'000								
<u>ASSETS</u>										
Segment assets Unallocated assets	520 534	394 999	22 690	25 110	63 803	68 066	1 598	1 396	608 625 153 582	489 571 97 237
Total assets									762 207	586 808
<u>LIABILITIES</u>										
Segment liabilities Unallocated liabilities	274 646	161 431	1 076	1 777	7 752	19 143	238	380	283 712 3 989	182 731 4 113
Total liabilities									287 701	186 844
Other segment information										
Investments in vessels	120 768	28 840	48	478	211	-	-	-	121 027	29 318
Depreciation	8 873	7 033	759	759	1 729	1 731	-	-	11 361	9 523
Drydocking deferred expenditure depreciation	2 990	3 423	213	245	136	77	84	88	3 423	3 833

NOTES

	Tan	kers	Reef	Reefers		G	Dry C	Cargo	Tot	al
	30.06.07 LVL' 000	30.06.06 LVL' 000	30.06.07 LVL' 000	30.06.06 LVL' 000	30.06.07 LVL' 000	30.06.06 LVL' 000	30.06.07 LVL' 000	30.06.06 LVL' 000	30.06.07 LVL'000	30.06.06 LVL' 000
Voyage income Voyage costs Net voyage result	52 840 (8 045) 44 795	49 287 (16 395) 32 892	3 772 (270) 3 502	5 766 (2 431) 3 335	4 219 (8) 4 211	5 709 (5) 5 704	808 (32) 776	809 (32) 777	61 639 (8 355) 53 284	61 571 (18 863) 42 708
Vessel operating costs	(24 886)	(22 203)	(2 229)	(2 144)	(1 336)	(950)	(483)	(503)	(28 934)	(25 800)
Vessel depreciation	(4 692)	(4 024)	(401)	(434)	(914)	(991)	-	-	(6 007)	(5 449)
Vessel Operating profit	15 217	6 665	872	757	1 961	3 763	293	274	18 343	11 459
Gain on sale of assets Unallocated sale of assets Segment result	20 094 - 35 311	3 549 - 10 214	- - 872	- - 757	- - 1 961	3 763	- - 293	- - 274	20 094 12 38 449	3 549 14 15 022
Unallocated corporate expenses Operating profit								-	(5 900) 32 549	(4 553) 10 469
Net Financial Items Profit before Taxation								_	(3 366) 29 183	(1 767) 8 702
Taxation Net Profit								-	(4) 29 179	(4) 8 698

NOTES

	Tank	kers	Reefers		LPG		Dry C	argo	Total	
	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06
	LVL'000									
<u>ASSETS</u>										
Segment assets	271 719	211 719	11 844	13 459	33 305	36 483	834	749	317 702	262 410
Unallocated assets									80 170	52 119
								-		
Total assets									397 872	314 529
<u>LIABILITIES</u>										
Segment liabilities	143 365	86 527	562	952	4 047	10 261	124	204	148 098	97 944
Unallocated liabilities								_,.	2 081	2 204
								-		
Total liabilities									150 179	100 148
Other segment information										
Investments in vessels	63 857	16 502	25	273	112	-	-	-	63 994	16 775
Depreciation	4 692	4 024	401	434	914	991	-	-	6 007	5 449
Drydocking deferred expenditure depreciation	1 581	1 959	113	140	72	44	44	50	1 810	2 193

NOTES

	Tank	kers	Ree	fers	LP	\mathbf{G}	Dry C	Cargo	Tot	tal
	30.06.07 EUR' 000	30.06.06 EUR' 000	30.06.07 EUR' 000	30.06.06 EUR' 000						
Voyage income Voyage costs	74 223 (11 301)	68 637 (22 832)	5 299 (380)	8 030 (3 386)	5 926 (12)	7 950 (7)	1 136 (44)	1 127 (43)	86 584 (11 737)	85 744 (26 268)
Net voyage result	62 922	45 805	4 919	4 644	5 914	7 943	1 092	1 084	74 847	59 476
Vessel operating costs	(34 958)	(30 919)	(3 131)	(2 986)	(1 876)	(1 323)	(677)	(702)	(40 642)	(35 930)
Vessel depreciation	(6 590)	(5 604)	(564)	(605)	(1 285)	(1 379)	-	-	(8 439)	(7 588)
Vessel Operating profit	21 374	9 282	1 224	1 053	2 753	5 241	415	382	25 766	15 958
Gain on sale of assets Unallocated sale of assets	28 226	4 943	-	-	-	-	-	-	28 226 17	4 943 19
Segment result	49 600	14 225	1 224	1 053	2 753	5 241	415	382	54 009	20 920
Unallocated corporate expenses Operating profit								-	(8 287) 45 722	(6 340) 14 580
Net Financial Items Profit before Taxation								-	(4 728) 40 994	(2 461) 12 119
Taxation Net Profit								- -	(6) 40 988	(6) 12 113

NOTES

	Tank	kers	Reefers		LP	\mathbf{G}	Dry C	Cargo	Total	
	30.06.07 EUR' 000	30.06.06 EUR' 000								
<u>ASSETS</u>										
Segment assets Unallocated assets	386 621	314 738	16 853	20 008	47 389	54 236	1 187	1 112	452 050 114 071	390 094 77 479
Total assets									566 121	467 573
<u>LIABILITIES</u>										
Segment liabilities Unallocated liabilities	203 990	128 630	799	1 416	5 758	15 253	177	303	210 724 2 962	145 602 3 277
Total liabilities									213 686	148 879
Other segment information										
Investments in vessels	89 699	22 980	36	381	156	-	-	-	89 891	23 361
Depreciation	6 590	5 604	564	605	1 285	1 379	-	-	8 439	7 588
Drydocking deferred expenditure depreciation	2 221	2 727	158	195	101	61	62	71	2 542	3 054

NOTES

Contact person with respect to information presented in these financial statements

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